

# A G E N D A



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

DATE: Wednesday, January 10, 2024  
TIME: 6:00 PM  
CHAIRPERSON: Virginia Stapleton

STAFF LIAISON:  
Josh Eggleston, Chief Financial Off.  
503-588-6130

PLACE: HYBRID

[jeggleston@cityofsalem.net](mailto:jeggleston@cityofsalem.net)  
Kelli Blechschmidt, Mgmt Analyst II  
503-588-6049

Written comments on agenda items may be submitted at [budgetoffice@cityofsalem.net](mailto:budgetoffice@cityofsalem.net) Public comment may also be provided in person or via ZOOM. If using ZOOM, please pre-register between 8:00AM and 2:00PM on the day of the meeting at the following link: [Comment and Participate in a City Council Meeting | Salem, Oregon \(cityofsalem.net\)](#)

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1. OPENING EXERCISES – Chairperson Virginia Stapleton
  2. PUBLIC TESTIMONY
    - a. Comment on agenda items other than public hearings and deliberations
  3. MINUTES
    - a. Minutes from May 10, 2023 City of Salem and Urban Renewal Agency Budget Committee Meeting
  4. ACTION ITEMS
    - a. Election of Officers
      - Chairperson
      - Vice-chairperson
  5. INFORMATION ITEMS
    - a. FY 2023 Q4 Financial Report for the City of Salem
    - b. FY 2023 Q4 Financial Report for the Urban Renewal Agency
    - c. FY 2024 Q1 Financial Report for the City of Salem
    - d. FY 2024 Q1 Financial Report for the Urban Renewal Agency
    - e. FY 2025 – FY 2029 Five-Year Forecast
  6. PUBLIC HEARINGS  
None
  7. SPECIAL ORDERS OF BUSINESS
    - a. Opening Comments – City Manager Keith Stahley
    - b. Presentation of Five-Year Forecasts – General Fund, Transportation Services Fund and Utility Fund
      - Presentation by Chief Financial Officer Josh Eggleston
      - Discussion and review
  8. PUBLIC TESTIMONY FOR FUTURE BUDGET ISSUES

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

9. ADJOURNMENT

*The next Budget Committee meeting will be held on Wednesday, April 17, 2024 at 6:00 pm for presentation of the City Manager's proposed FY 2025 budget.*

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

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

NOTE: Disability-related accommodations, including auxiliary aids or services, in order to participate in this meeting, are available upon request. Sign language and interpreters for languages other than English are also available upon request. To request such an accommodation or interpretation, contact Shengnan Thomas at 503-588-6040 or [sthomas@cityofsalem.net](mailto:sthomas@cityofsalem.net) at least 2 business days before this meeting. TTD/TTY telephone (503) 588-6439 is also available 24/7.

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

# MINUTES



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

DATE:	Wednesday, May 10, 2023	STAFF LIAISON:
TIME:	6:00 PM	Josh Eggleston, Chief Financial Officer
CHAIRPERSON:	Virginia Stapleton	503-588-6130
		<a href="mailto:jeggleston@cityofsalem.net">jeggleston@cityofsalem.net</a>
PLACE:	Hybrid	Kali Leinenbach, Budget Manager
	Council Chambers & Youtube	503-588-6231
		<a href="mailto:kleinenbach@cityofsalem.net">kleinenbach@cityofsalem.net</a>

1. OPENING EXERCISES – Chair Stapleton called the meeting to order at 6:01pm

Members present: Milton, Cohen, Allen, Tigan, Vieyra-Braendle, Nishioka, Phillips, Gwyn, Gonzalez, J. Hoy, Nordyke, Varney, C. Hoy, Dixon, Curtis, Shirack, Vice-chair Brown, Chair Stapleton

Pledge of Allegiance by: All

Vice-chair Brown informed the Committee about the additions agenda submitted to the Committee which included a staff report.

**Motion:** Move to approve the additions agenda of May 10, 2023 for the City of Salem Budget Committee and Urban Renewal Agency Budget Committee Meeting.

Motion by: Vice-chair Brown  
Seconded by: Member Phillips

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

2. PUBLIC TESTIMONY

**Council Chamber Appearance:**

**Topic:**

Rick Gaupo – Marion Polk Food Share  
DJ Vincent – Church at the Park

FY 2024 Budget  
FY 2024 Budget

Questions or comments by: Member Nordyke, Phillips, Vice-chair Brown, Chair Stapleton, Member Gonzalez  
Answers or explanations by: DJ Vincent

3. MINUTES

- a. Minutes from May 3, 2023 City of Salem and Urban Renewal Agency Budget Committee Meeting

**Motion:** Move to approve the meeting minutes from the May 3, 2023 City of Salem Budget Committee and Urban Renewal Agency Budget Committee Meeting.

Motion by: Vice-chair Brown  
Seconded by: Member Phillips

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

4. ACTION ITEMS

- a. Errata 6 – General Fund Revenue (Fire Department) and Emergency Medical Services Fund (Fire Department)

Questions or comments by: Member Allen  
Answers or explanations by: Josh Eggleston, Chief Financial Officer

**Motion:** Move to approve Errata Sheet 6 as recommended by Staff

Motion by: Vice-chair Brown  
Seconded by: Member Phillips

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

5. INFORMATION ITEMS

- a. Staff Report: Summary of Budget Committee Actions Through May 3, 2023  
b. Staff Report: Responses to Committee Member Questions  
c. Staff Report: Additional Responses to Committee Member Questions

Explanation of information items provided to the Budget Committee by Chief Financial Officer Eggleston.

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

6. PUBLIC HEARINGS

- a. None

7. SPECIAL ORDERS OF BUSINESS

- a. Approve FY 2024 Salem Urban Renewal Agency Ad Valorem Property Taxes  
 Staff Report: Approval of Ad Valorem Property Taxes – Salem Urban Renewal Agency

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

	Division of Taxes	Special Levy	Estimated Total
1. Jory Apartments	100%	\$0	\$280,100
2. McGilchrist	100%	\$0	1,334,640
3. Mill Creek	100%	\$0	5,133,930
4. North Gateway	100%	\$0	4,838,270
5. Riverfront Downtown	100%	Remainder	8,185,790
6. South Waterfront	100%	\$0	532,750
7. West Salem	100%	\$0	2,139,200
			<b>\$22,444,680</b>

- Discussion
- Motion to approve Salem Urban Renewal Agency FY 2024 ad valorem property taxes

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

**Motion:** Move to approve staff recommendation for the FY 2024 Salem Urban Renewal Agency Ad Valorem Property Taxes.

Motion: Vice-chair Brown  
 Seconded by: Member Nordyke

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

- b. Recommend FY 2024 Salem Urban Renewal Agency Budget  
 Staff Report: Recommend FY 2024 Salem Urban Renewal Agency Budget
- Discussion
  - Motion to approve final recommendation of FY 2024 Salem Urban Renewal Agency Budget

Questions or comments by: None

Answers or explanations by: None

**Motion:** Move to approve staff recommendation for the FY 2024 Salem Urban Renewal Budget.

Motion: Vice-chair Brown  
Seconded by: Member Nordyke

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

- c. Approve FY 2024 City of Salem Ad Valorem Property Taxes  
Staff Report: Approval of Ad Valorem Property Taxes – City of Salem  
Recommendation:  
Approve the ad valorem property taxes for the City of Salem General Fund and the City of Salem General Obligation Debt fund as follows:

1. Approve the City of Salem permanent tax rate of \$5.8315 for general fund operations.
2. Approve a General Obligation bond debt levy of \$18,765,580
  - Discussion
  - Motion to approve City of Salem FY 2024 ad valorem property taxes

Questions or comments by: Vice-chair Brown  
Answers or explanations by: Josh Eggleston, Chief Financial Officer

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

Motion: Vice-chair Brown  
Seconded by: Member Nordyke

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

- d. Recommend FY 2024 City of Salem Budget  
Staff Report: Recommend FY 2024 City of Salem Budget

**Good Governance**

- Expenditures: \$125,679,450

Questions or comments by: Member Cohen, Allen, Nordyke, J. Hoy, Phillips, Tigan

Answers or explanations by: Josh Eggleston, Chief Financial Officer

**Motion:** Move that the City of Salem Citizen Budget Committee recommend that the City of Salem adopt an employee payroll tax designed to address the persistent structural imbalance in the City's General Fund to take effect as soon as practicable but no later than January 1, 2025.

Motion: Member Tigan

Seconded by: Vice-chair Brown

Questions or comments by: Member Tigan, C. Hoy, Dixon, Gonzalez, J. Hoy, Milton, Allen, Phillips, Chair Stapleton, Curtis, Nishioka, Vice-chair Brown, Gwyn, Shirack, Vieyra-Braendle, Cohen

Answers or explanations by: Keith Stahley, City Manager, Josh Eggleston, Chief Financial Officer

Member C. Hoy requested a recess. Meeting recess at 7:12PM and returned at 7:26PM

Continued Discussion:

Questions or comments by: Chair Stapleton, Member Gwyn, Gonzalez, Phillips

Answers or explanations by: Josh Eggleston, Chief Financial Officer

**Substitute Motion:** Move as a substitute motion that the City of Salem Citizen Budget Committee recommend that the Salem City Council adopt an employee payroll tax equitably designed to address the persistent structural imbalance in the City's General Fund to take effect as soon as practicable but no later than January 2025 and consider referring to voters including a sunset.

Motion: Member Phillips

Seconded by: Member Nishioka

Questions or comments by: Member Phillips, Milton, Vice-chair Brown, Tigan, Allen, J. Hoy, Nishioka, C. Hoy, Varney, Nordyke, Dixon  
Answers or explanations by: Keith Stahley, City Manager, Josh Eggleston, Chief Financial Officer

**Action:** Motion passes

**Vote:**

**Aye:** Cohen, Allen, Tigan, Vieyra-Braendle, Nishioka, Phillips, Varney, C. Hoy, Dixon, Curtis, Shirack, Vice-chair Brown, Chair Stapleton

**Nay:** Milton, Gwyn, Gonzalez, J. Hoy, Nordyke

**Abstentions:**

Member Cohen leaves at 8:03PM

**Motion:** Move to approve staff recommendation for the Good Governance result area budget.

Motion by: Vice-chair Brown

Seconded by: Member Phillips

**Action:** Motion passes

**Vote:**

**Aye:** Allen, Tigan, Vieyra-Braendle, Nishioka, Phillips, Nordyke, Varney, C. Hoy, Dixon, Curtis, Shirack, Vice-chair Brown, Chair Stapleton

**Nay:** Milton, Gwyn, Gonzalez, J. Hoy

**Abstentions:**

***Natural Environment Stewardship***

- Expenditures: \$24,907,100

Questions or comments by: None

Answers or explanations by: None

**Motion:** Move to approve staff recommendation for the Natural Environmental Stewardship result area budget.

Motion by: Vice-chair Brown

Seconded by: Member Phillips

**Action:** Motion passes

**Vote:**



Aye: Milton, Allen, Tigan, Vieyra-Braendle, Nishioka, Phillips, Gwyn, Gonzalez, Nordyke, Varney, C. Hoy, Dixon, Curtis, Shirack, Vice-chair Brown, Chair Stapleton

Nay: J. Hoy  
Abstentions:

***Safe and Healthy Community***

- Expenditures: \$158,265,160

Questions or comments by: Member Allen  
Answers or explanations by: Chief Financial Officer Josh Eggleston

**Motion:** Move to approve staff recommendation for the Safe and Healthy Community result area budget.

Motion by: Vice-chair Brown  
Seconded by: Member Nordyke

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

***Safe, Reliable, and Efficient Infrastructure and Capital Improvements***

- Expenditures: \$154,493,530 for the result area and \$224,409,700 for capital improvement projects

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

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

Motion by: Vice-chair Brown  
Seconded by: Member Milton

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

**Strong and Diverse Economy**

- Expenditures: \$14,356,140

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

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

Motion by: Vice-chair Brown  
Seconded by: Member Phillips

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

**Welcoming and Livable Community**

- Expenditures: \$51,862,230

Questions or comments by: Member J. Hoy  
Answers or explanations by: Chief Financial Officer Josh Eggleston

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

Motion by: Vice-chair Brown  
Seconded by: Member Tigan

**Action:** Motion passes  
**Vote:**  
**Aye:** Milton, Allen, Tigan, Vierya-Braendle, Nishioka, Phillips, Gonzalez, J. Hoy, Nordyke, Varney, C. Hoy, Dixon, Curtis, Shirack, Vice-chair Brown, Chair Stapleton  
**Nay:** Gwyn  
**Abstentions:**

8. PUBLIC TESTIMONY FOR FUTURE BUDGET ISSUES  
The Budget Committee has set aside time for public comment to address items not on the agenda. Each individual testifying will be limited to no more than three (3) minutes.
  - a. None
9. ADJOURNMENT  
Comments by: Chair Stapleton, Member Dixon

The meeting was adjourned at 9:03 PM

Respectfully Submitted,

Kelli Blechschmidt  
Minutes Recorder

*The next meetings related to the FY 2024 budget will occur with the City Council as follows:*

- *Monday, June 12, 2023, FY 2024 Budget and State Revenue Sharing Public Hearing*
- *Monday, June 26, 2023, FY 2024 Budget and CIP Adoption*

*Budget staff is available for your convenience to discuss the budget document and process.  
Please call the staff listed above or 503-588-6049 if you have any questions.*

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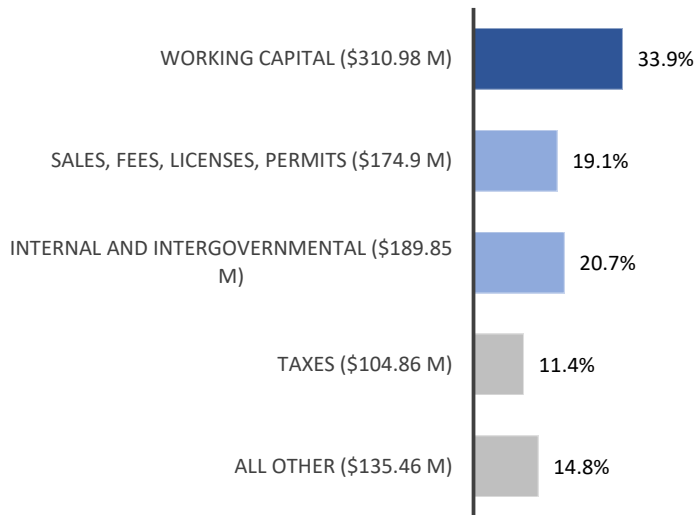


## CITY OF SALEM FINANCIAL SUMMARY YEAR END / FY 2023

This financial summary provides FY 2023 year-end results that include July 2022 through June 2023. Notable occurrences are identified, described, and graphically illustrated through budget-to-actual and actual-to-actual comparisons. In addition, many comparisons extend to multiple fiscal years to augment context for FY 2023 activity.

### Citywide Results - All Funds

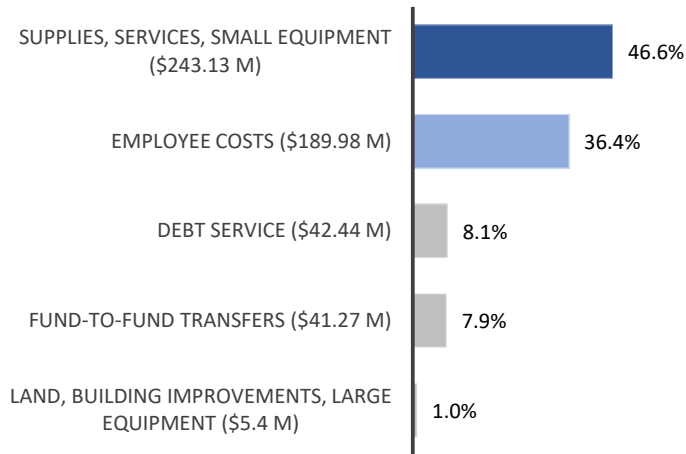
#### Total Resources of \$916.04 Million



This view of Citywide resources reveals the prominence of *Working Capital*—or cash-on-hand—at 33.9 percent of all resources. This is a decrease from 41.2 percent from the prior year. *Taxes* include property tax for General Fund operations and levies to pay debt service on voter-approved general obligation bonds, transient occupancy tax, and local marijuana sales tax. The category with *Sales, Fees* includes consumer-paid fees for water / sewer, franchise fees, building permits, and system development charges. *Internal and Intergovernmental* includes employer-paid insurance premiums, state shared revenues, and grants. *All Other* includes non-operating dollars like bond proceeds, sale of assets and rents.

#### Total Expenditures of \$522.22 Million

Everything associated with the cost of more than 1,332 full-time equivalent employees by fiscal year end—wages, overtime, insurances, and retirement benefits—is included in *Employee Costs*. The category of *Supplies, Services, Small Equipment* includes \$155.1 million of the total in just four of the City’s 25 funds—Capital Improvements, Self Insurance Risk, Self Insurance Benefits, and Utility.



#### BY THE NUMBERS

##### Expenditures

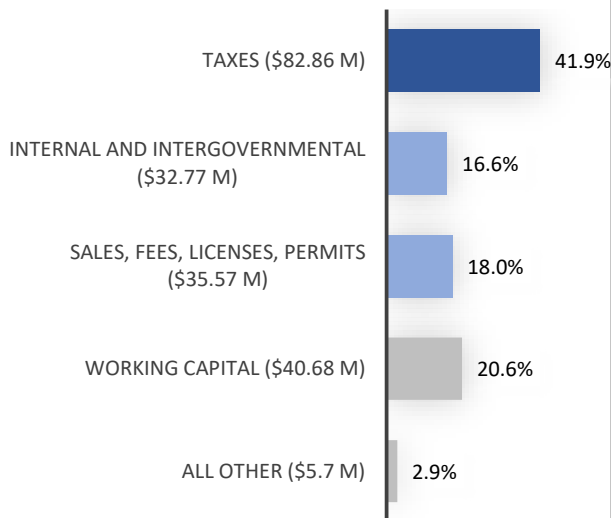
Total personnel expenditures increased by 6.81 percent year over year. The increase in total expenditures is influenced by both anticipated cost escalators and mid-year adjustments, addition of positions mid year and labor contract / market adjustments to salaries, the corresponding increase to PERS expense, and health benefits expense. Materials and services experienced a decrease in expenditures due to the completion of several large construction projects like the Police Facility and the Salem Public Library.

# CITY OF SALEM FINANCIAL SUMMARY YEAR END / FY 2023

This financial summary provides FY 2023 year-end results that include July 2022 through June 2023. Notable occurrences are identified, described, and graphically illustrated through budget-to-actual and actual-to-actual comparisons. In addition, many comparisons extend to multiple fiscal years to augment context for FY 2023 activity.

## General Fund Results

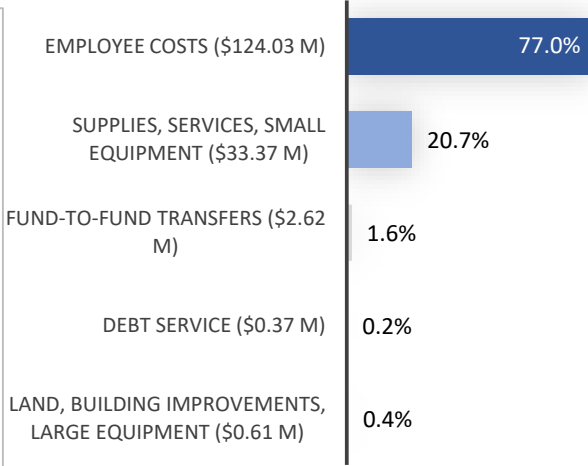
### Total Resources of \$197.58 Million



Total resources for FY 2023 in the General Fund equal \$197.58 million, representing \$40.7 million in working capital and \$156.9 million in new revenues, less than the prior year. Property taxes account for \$81.5 million in the category, *Taxes*, with the remaining \$1.29 million from the City's sales tax on marijuana. *Sales, Fees, Licenses, Permits* includes over \$20.89 million in franchise fees, \$7.9 million from the City's operation fee, \$2.3 million in planning-related revenues, and \$219,960 from the City's ambulance contractor. Internal charges, including the cost for support services assessed to other City funds for services housed in the General Fund— such as Legal, Human Resources, Finance, and Information Technology—provide over \$9 million of the \$32.77 million for the *Internal and Intergovernmental* category. Revenues shared by the State of Oregon add another \$7.89 million. *All Other* revenue includes over \$560 thousand in parking fines and over \$821 thousand in court fines.

### Total Expenditures of \$161 Million

The City's General Fund maintains the services of fire emergency response, municipal court, parks maintenance, police, multi-generational recreation programs, long range and current planning, code enforcement, social services program aid, Salem Public Library, and the support services that benefit all City departments and funds. At year end, expenditures for these services equaled \$161 million, representing a 6.01 percent increase over FY 2022. The largest expense for the General Fund are the employees that correspond with the fund. Rather than other funds, such as the Utility which are very capital heavy, the General Fund's main expenditure are for personnel related items like salaries, benefits, retirement, etc.



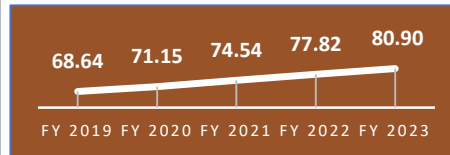
## Future Outlook

With the influx of federal and state funding for the COVID-19 pandemic, the General Fund was able to remain financially solvent by replacing lost revenues due to the pandemic such as parking revenues and paying for increased costs as a result of the pandemic like Fire Department overtime. The impact of these one time dollars is evident as FY 2023 ended with the General Fund using working capital (or savings) to cover expenditures by over \$4.0 million. In order to continue the all the programs currently supported by the General Fund at the same level of service, additional on-going revenues will be needed. Any additional services, expansion of services or continuing sheltering services previously supported by grants will mean an even larger amount of on-going revenues.

# CITY OF SALEM FINANCIAL SUMMARY YEAR END / FY 2023

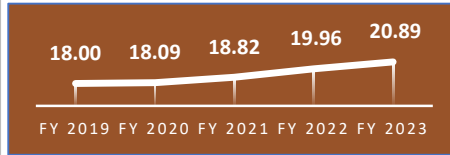
## General Fund Revenues

**Property Tax**—In FY 2023, the largest revenue source for the General Fund received a 4.0 percent revenue increase above last year's actuals. The total revenues year-over-year increase was \$3.08 million.



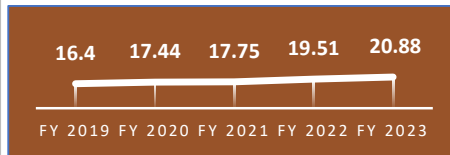
Actual to Budget	Year - over- Year
100.2%	4.0%

**Franchise Fees**—Cable and telecom fees slightly declined, increases for refuse hauler fees, gains in electric, gas, and water / wastewater / storm- water utility, added an increase year-over-year for City franchise fees of 4.7 percent.



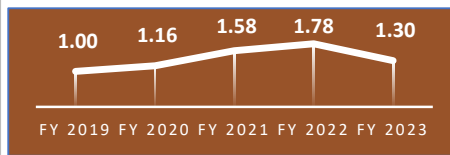
Actual to Budget	Year - over- Year
104.6%	4.7%

**Internal Charges**—Less-than-anticipated revenues are offset with savings from vacant positions. A lower vacancy rate would have generated additional internal reimbursement revenues. However, the year-over-year increase was 7.0 percent.



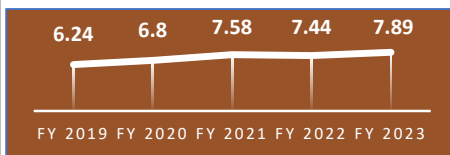
Actual to Budget	Year - over- Year
97.5%	7.0%

**Marijuana Sales Tax**—After several years of growth, there was a reduction this past year in marijuana revenue. Approximately \$480 thousand less came into the General Fund - a year-over-year reduction



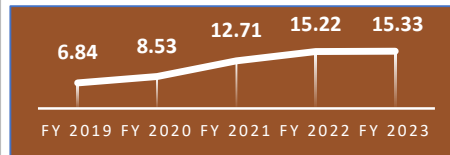
Actual to Budget	Year - over- Year
69.8%	-26.9%

**State Shared Revenues**—Although the initial reduction of revenue for this category was evident in FY 2022, by FY 2023 the category has somewhat rebounded and came in 6.0 percent over budget projections. This equates to \$450 thousand.



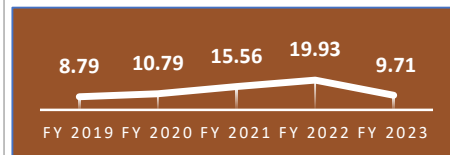
Actual to Budget	Year - over- Year
102.3%	6.0%

**Fees, Permits**—User charges for fire protection, planning fees, recreation, fire safety permits, apartment licensing and the City Operations Fee supported a slight increase of 0.8 percent over FY 2022.



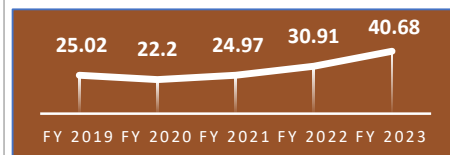
Actual to Budget	Year - over- Year
102.8%	0.8%

**Other Agencies, Grants, All Other Revenue**—Following the receipt of covid-related federal grants, grant receipts decreased to pre-pandemic levels. Overall decrease year-over-year is 51.3%



Actual to Budget	Year - over- Year
103.9%	-51.3%

**Beginning Fund Balance**—Fund Balance grew in FY 23 due to \$12.9 million in ARPA grant revenue. Fund balance increased \$9.77 million or 31.6% year-over-year. However, without federal COVID-19 relief funding, the City would have had to use Fund



Actual to Budget	Year - over- Year
95.6%	31.6%

# CITY OF SALEM FINANCIAL SUMMARY YEAR END / FY 2023

## General Fund Expenditures by Department

Expenditures by Department (in millions)	Personal Services	Materials Services	Capital Outlay	Interfund Transfers	Debt	Actual to Budget	Year - over - Year
Mayor & Council	\$ -	\$ 0.27	\$ -	\$ -	\$ -	95.9%	13.4%
Municipal Court	1.55	0.60	-	-	-	88.3%	-6.1%
City Manager	1.54	0.28	-	-	-	94.2%	21.7%
Human Resources	2.59	0.35	-	-	-	96.6%	46.9%
Customer Service Center	0.75	0.05	-	-	-	87.9%	-
Legal	2.44	0.08	-	-	-	86.0%	-2.4%
Finance	2.97	0.28	-	-	-	87.9%	-16.4%
Parks and Recreation	6.92	4.59	0.19	0.08	-	97.8%	6.0%
Facilities Services	3.41	1.54	0.066	0.19	-	98.9%	10.1%
Community Development	4.78	1.12	0.00	0.15	-	89.7%	29.9%
Library	4.25	1.03	-	-	-	89.8%	6.5%
Police	42.12	10.76	0.02	-	-	96.6%	4.8%
Fire	39.17	5.60	0.24	-	-	99.4%	12.1%
Information Technology	8.90	1.85	0.09	-	-	93.5%	7.4%
Non Departmental	0.03	4.05	-	2.20	0.37	79.0%	-21.1%
Urban Development	2.62	0.91	-	-	-	87.0%	-26.0%
<b>Total Expenditures</b>	<b>\$ 124.03</b>	<b>\$ 33.37</b>	<b>\$ 0.61</b>	<b>\$ 2.62</b>	<b>\$ 0.37</b>		

### BY THE NUMBERS Expenditures

General Funded FY 2023 year-end expenditures totaled \$161.0 million which is \$8.31 million or 4.9 percent lower than the adopted budget. The 6.01 percent year-over-year increase in total is influenced by cost escalators, such as labor contract / mid-year market adjustments to salaries, the corresponding increase to PERS expense, and health benefits expense. Differences are also influenced by changes in position vacancy rates and the timing of materials and services expenses.



# CITY OF SALEM FINANCIAL SUMMARY YEAR END / FY 2023

## Other Funds (in millions)

Expenditures by Fund (in millions)	Actual to Budget - FY 2023	Year - over - Year	Fund Resources 5-Year Trend, FY 2019-FY 2023
<b>Transportation Services</b>	<b>\$ 18.62</b>		
Personal Services	6.62	<b>89.1%</b>	
Materials / Services	9.93		
Capital Outlay	0.02		
Interfund Transfers	2.05		
		<b>23.6%</b>	
<b>Streetlight</b>	<b>\$ 2.03</b>		
Materials / Services	1.21	<b>89.3%</b>	
Interfund Transfers	0.60		
Debt	0.21		
		<b>9.1%</b>	
<b>Airport</b>	<b>\$ 1.37</b>		
Personal Services	0.52	<b>62.0%</b>	
Materials / Services	0.81		
Interfund Transfers	-		
Debt	0.04		
		<b>9.7%</b>	
<b>Community Renewal</b>	<b>\$ 4.99</b>		
Materials / Services	4.90	<b>37.9%</b>	
Interfund Transfers	0.08		
		<b>76.4%</b>	
<b>Downtown Parking</b>	<b>\$ 0.96</b>		
Materials / Services	0.96	<b>82.1%</b>	
Interfund Transfers	-		
		<b>-22.3%</b>	
<b>Cultural and Tourism</b>	<b>\$ 4.35</b>		
Materials / Services	2.71	<b>93.3%</b>	
Interfund Transfers	1.64		
		<b>14.2%</b>	
<b>Public Art</b>	<b>\$ 0.00</b>		
Materials / Services	0.00	<b>1.6%</b>	
		<b>-94.7%</b>	
<b>Tourism Promotion Area</b>	<b>\$ 1.01</b>		
Materials / Services	\$ 1.01	<b>86.8%</b>	
Interfund Transfers	\$ -		
		<b>8.4%</b>	

# CITY OF SALEM FINANCIAL SUMMARY YEAR END / FY 2023

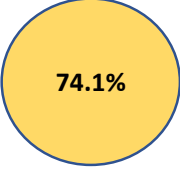
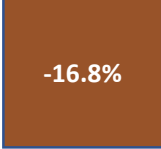
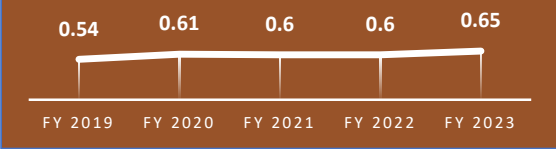
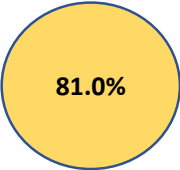

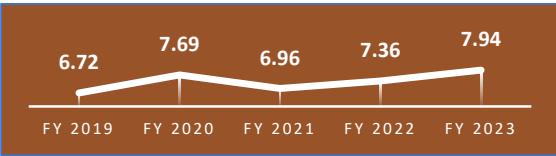


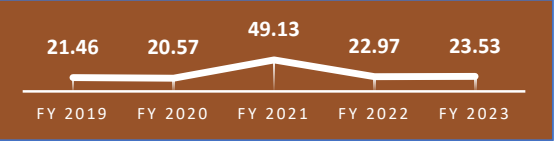
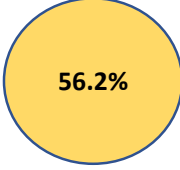
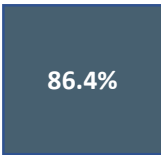
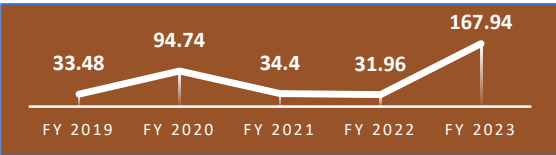
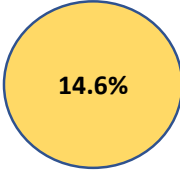

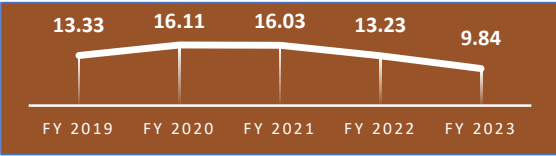
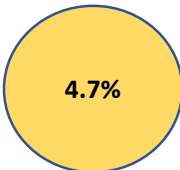

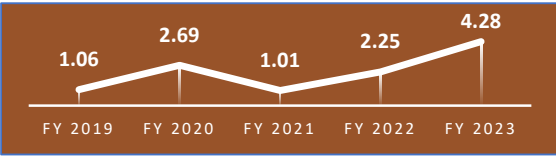
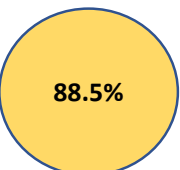
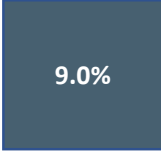
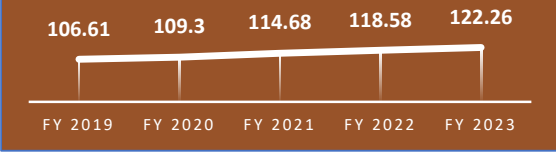
## Other Funds (in millions)

Expenditures by Fund  
(in millions)

Actual to  
Budget - FY  
2023

Year  
- over -  
Year

Fund Resources 5-Year Trend, FY 2019-FY 2023

<b>Parking Leasehold</b>	\$ <b>0.57</b>			
Materials / Services	0.37			
Interfund Transfers	0.20			
<b>Building and Safety</b>	\$ <b>6.07</b>			
Personal Services	4.15			
Materials / Services	1.42			
Interfund Transfers	0.50			
<b>General Debt</b>	\$ <b>22.75</b>			
Debt	22.75			
<b>Capital Improvements</b>	\$ <b>86.13</b>			
Materials / Services	85.13			
Capital Outlay	0.99			
Interfund Transfers	-			
<b>Extra Capacity Facilities</b>	\$ <b>8.98</b>			
Materials / Services	7.45			
Capital Outlay	(0.00)			
Interfund Transfers	1.53			
<b>Development Districts</b>	\$ <b>0.94</b>			
Materials / Services	0.94			
Interfund Transfers	-			
<b>Utility</b>	\$ <b>122.83</b>			
Personal Services	39.25			
Materials / Services	34.85			
Capital Outlay	1.06			
Interfund Transfers	28.61			
Debt	19.05			

# CITY OF SALEM FINANCIAL SUMMARY YEAR END / FY 2023

## Other Funds (in millions)

Expenditures by Fund (in millions)	Actual to Budget - FY 2023	Year - over - Year	Fund Resources 5-Year Trend, FY 2019-FY 2023
<b>Emergency Services</b>	<b>\$ 5.12</b>		
Personal Services	0.51	<b>93.2%</b>	
Materials / Services	3.27		
Interfund Transfers	1.34		
Capital	0.01		
<b>WVCC</b>	<b>\$ 13.58</b>		
Personal Services	10.57	<b>88.9%</b>	
Materials / Services	1.97		
Interfund Transfers	1.00		
Capital	0.04		
<b>Police Regional Records</b>	<b>\$ 0.35</b>		
Materials / Services	0.35	<b>100.0%</b>	
Capital	-		
<b>City Services</b>	<b>\$ 11.98</b>		
Personal Services	2.63	<b>87.2%</b>	
Materials / Services	9.29		
Capital Outlay	0.07		
Interfund Transfers	-		
<b>Self Insurance Benefits</b>	<b>\$ 30.48</b>		
Personal Services	0.75	<b>79.4%</b>	
Materials / Services	29.73		
Interfund Transfers	-		
<b>Self Insurance Risk</b>	<b>\$ 6.33</b>		
Personal Services	0.96	<b>42.5%</b>	
Materials / Services	5.37		
<b>Equipment Replacement</b>	<b>\$ 2.32</b>		
Materials / Services	0.21	<b>11.6%</b>	
Capital Outlay	2.09		
Interfund Transfers	0.02		
<b>Trust and Agency</b>	<b>\$ 9.46</b>		
Materials / Services	7.86	<b>39.1%</b>	
Capital Outlay	0.51		
Interfund Transfers	1.09		



## URBAN RENEWAL AGENCY FINANCIAL SUMMARY Through Q4 / FY 2023

This “By the Numbers” summary of FY 2023 activity for the 12-month period ending June 30, 2023 provides a brief update of the Urban Renewal Agency’s seven active areas and the Agency-owned Salem Convention Center. For the comparisons to budget and prior year activity a positive percentage denotes FY 2023 results are greater.

Debt Service Fund	Resources			Expenditures		
	Actual through June 30	As a Percent of Budget	Difference FY 2022 to FY 2023 Actual	Actual through June 30	As a Percent of Budget	Difference FY 2022 to FY 2023 Actual
Riverfront Downtown	10,151,086	107.1%	-0.3%	8,799,351	98.9%	11.4%
Fairview	-	-	-	-	-	-
North Gateway	5,170,137	107.9%	0.3%	4,000,639	100.0%	-11.1%
West Salem	2,930,366	112.5%	9.6%	2,225,355	100.0%	23.6%
Mill Creek	2,943,432	85.7%	0.6%	2,593,399	76.4%	53.2%
McGilchrist	1,831,806	100.1%	16.7%	1,400,224	100.0%	40.0%
South Waterfront	664,086	101.1%	3.1%	645,085	129.0%	0
Jory Apartments TIF	188,242	66.5%	15	173,818	1	-
<b>Total</b>	<b>23,879,154</b>	<b>103.5%</b>	<b>3.1%</b>	<b>19,837,871</b>	<b>95.8%</b>	<b>0.0%</b>

Capital Improvements Fund	Resources			Expenditures		
	Actual through June 30	As a Percent of Budget	Difference FY 2022 to FY 2023 Actual	Actual through June 30	As a Percent of Budget	Difference FY 2022 to FY 2023 Actual
Riverfront Downtown	30,382,823	99.3%	15.7%	7,503,207	24.5%	72.2%
Fairview	2,441,884	88.5%	0.6%	1,465,813	53.1%	4200.3%
North Gateway	21,473,167	105.8%	16.4%	561,423	2.8%	-58.0%
West Salem	10,135,377	108.6%	19.2%	1,208,223	12.9%	62.0%
Mill Creek	4,319,915	81.3%	64.0%	193,835	3.6%	-64.9%
McGilchrist	8,415,202	53.6%	15.0%	1,713,378	10.9%	4.0%
South Waterfront	2,016,153	109.9%	48.0%	2,017,440	110.0%	11599.8%
Jory Apartments TIF	173,235	61.6%	-33286.7%	180,548	64.2%	541274.5%
<b>Total</b>	<b>79,357,756</b>	<b>92.2%</b>	<b>18.5%</b>	<b>14,843,868</b>	<b>17.2%</b>	<b>70.9%</b>

### Salem Convention Center Fund and Convention Center Gain / Loss Reserve

Resources for the Salem Convention Center Fund include revenue from food sales, equipment and room rentals, and other revenue of \$5,242,580; the highest since the pandemic. In addition, a transfer from the gain Gail / Loss Reserve added \$262,569. Through the period, \$4,337,675 has been posted as the cost of providing convention services.

The Convention Center Gain / Loss Reserve\* started the fiscal year with beginning fund balance of \$4,076,227. Interest postings through the fourth quarter added \$81,311. Capital Projects and Transfers required \$834,301.

\*A reserve established to cover any operational losses

Beginning working capital for both funds (above) was approximately \$64 million. Current year taxes of \$17.84 million have been collected, and short-term borrowing, of \$17.5 million which provide additional resources for capital projects, have occurred.

Through the fourth quarter of FY 2023, the largest capital programs in the URA were the Marquis Property Acquisition in both the Riverfront and South Waterfront URAs at \$3.65 million, Riverfront URA streetscape at \$1.44 million and McGilchrist Street improvements in the McGilcrest URA at \$1.38 million.



## CITY OF SALEM FINANCIAL SUMMARY Through Q1 / FY 2024

The summary of FY 2024 first quarter (Q1) July 2023 through September 2023 financial activity displays expenditure information at the department level for the General Fund and resources displayed by type. For all other City funds, data is displayed with resources and expenditures. For all funds, the display includes columns noting comparison to budget and prior year actual activity. A positive number in the prior year comparison denotes an increase in FY 2024.

### General Fund

Resources	Budget	Actual through Sept 30	As a Percent of Budget	Difference FY 2023 to FY 2024 Actual
Property Taxes	84,007,940	214,596	0.3%	-73.8%
Franchise Fees	21,573,020	1,375,627	6.4%	-5.5%
Internal Charges	23,822,990	5,261,859	22.1%	22.1%
Marijuana Sales Tax	1,656,000	-	0.0%	-100.0%
State Shared	7,990,340	834,324	10.4%	4.0%
Fees, Permits	21,095,000	2,942,577	13.9%	2.8%
All Other Revenues	7,640,320	1,629,053	21.3%	17.3%
Beginning Fund Balance	38,485,060	36,578,563	95.0%	-10.1%
<b>Total Resources</b>	<b>206,270,670</b>	<b>48,836,599</b>	<b>23.7%</b>	<b>-7.3%</b>

**BY THE NUMBERS**  
Resources

First quarter receipts are typically low. Current year Property Tax has not been collected. Franchise Fees and State Shared Revenue collections increase later in the year.

State Shared resources include state marijuana sales tax revenue collected by the State and distributed to cities. Q1 Marijuana Sales Tax were received in Q2. These are remitted to the City quarterly.

Expenditures by Department	Budget	Actual through Sept 30	As a Percent of Budget	Difference FY 2023 to FY 2024 Actual
Mayor & Council	410,290	73,139	17.8%	46.55%
Municipal Court	2,632,840	492,503	18.7%	-4.23%
City Manager	1,403,450	244,898	17.4%	-44.13%
Human Resources	3,425,080	541,233	15.8%	-14.72%
Customer Service Center	1,003,340	189,622	18.9%	0.00%
Legal	3,263,960	740,388	22.7%	2.38%
Finance	4,259,490	837,732	19.7%	1.60%
Parks and Recreation	14,506,540	3,290,125	22.7%	9.46%
Facilities Services	5,556,060	1,092,379	19.7%	-5.03%
Community Development	7,137,540	1,236,634	17.3%	-18.22%
Library	6,207,950	1,117,265	18.0%	-15.32%
Police	60,299,310	13,366,444	22.2%	-2.20%
Fire	48,697,150	11,479,698	23.6%	-3.24%
Information Technology	13,725,640	2,826,912	20.6%	12.87%
Non Departmental	9,229,740	648,030	7.0%	-14.06%
Urban Development	4,425,780	789,088	17.8%	10.63%
<b>Total Expenditures</b>	<b>186,184,160</b>	<b>38,966,088</b>	<b>20.9%</b>	<b>-2.3%</b>

Beginning Fund Balance—the funding available at the start of the fiscal year—equals almost 74.9 percent of total resources through Q1, and is 10.1 percent less than FY 2023. Year-to-year increases of 2.8 percent for Fees, Permits reflect the City Operations Fee increase.

Internal Charges include the support services charges, reimbursements for labor and overhead from other funds, and fund-to-fund transfers. The 22.1 percent increase is mainly due to Service Charges and Transfers, which are received in regular intervals.

All Other Revenues increased by 17.3 percent, primarily due to more favorable interest revenue.

### BY THE NUMBERS Expenditures

With 25 percent of the fiscal year complete, including 6 payroll periods, or 23 percent of payroll periods for the year, expenditures are trending as anticipated. The 2.3 percent year-over-year decrease is influenced by organizational shifts, hiring decisions, and payroll timing. Decreased spending in the City Manager's Office is offset by increased spending in Parks and Recreation due to the creation of the Community Services Department. Mayor and Council increases reflect increased a new federal lobbyist contract.

# CITY OF SALEM FINANCIAL SUMMARY Through Q1 / FY 2024

## Other Funds

	Resources			Expenditures		
	Actual through Sept 30	As a Percent of Budget	Difference FY 2023 to FY 2024 Actual	Actual through Sept 30	As a Percent of Budget	Difference FY 2023 to FY 2024 Actual
* Transportation Services	10,849,742	44.0%	-6.0%	3,977,682	19.7%	-27.9%
Streetlight	1,645,162	47.7%	-2.3%	305,459	12.2%	-9.8%
* Airport	1,438,062	43.5%	-5.1%	462,625	16.8%	56.3%
Community Renewal	795,729	7.0%	52.9%	1,193,357	10.5%	235.1%
Downtown Parking	621,119	57.9%	3.9%	256,510	23.9%	20.4%
Cultural and Tourism	5,525,337	58.9%	9.0%	1,237,954	21.6%	34.7%
Public Art	64,606	89.3%	98.4%	41	0.1%	-55.6%
Tourism Promotion Area	232,008	17.2%	1.5%	122,562	9.1%	9.1%
Parking Leasehold	493,752	51.4%	14.1%	181,708	18.9%	62.2%
* Building and Safety	18,764,473	76.0%	5.1%	1,750,728	20.9%	10.8%
General Debt	4,548,439	17.8%	19.6%	-	0.0%	0.0%
Capital Improvements	151,201,438	75.9%	119.7%	11,992,046	7.5%	50.5%
Extra Capacity Facilities	47,424,641	83.9%	3.6%	789,524	1.4%	-66.4%
Development Districts	10,797,203	103.2%	25.6%	39,644	0.4%	233.8%
* Utility	90,005,335	50.2%	-1.2%	25,138,534	18.0%	1.3%
* Emergency Services	3,300,896	36.1%	-21.5%	290,281	4.9%	-54.8%
* WVCC	5,990,854	36.8%	10.6%	3,177,267	19.7%	-12.3%
Police Regional Records	1,533,449	66.6%	10.5%	26,925	9.8%	25.0%
* City Services	7,864,829	44.7%	4.2%	2,860,877	20.1%	6.4%
* Self Insurance Benefits	15,623,136	37.1%	-10.5%	6,247,354	16.6%	1.6%
* Self Insurance Risk	6,541,240	59.8%	-20.5%	3,909,317	35.7%	24.8%
Equipment Replacement	20,177,919	75.0%	16.2%	1,278,068	4.8%	348.7%
Trust and Agency	27,852,922	96.9%	-1.3%	1,635,005	10.2%	51.6%

### Resources

Beginning fund balance accounts for \$357.2 million or 82.4 percent of the \$433.3 million total resources reported in the above table for all other City funds. To begin FY 2024, budgeted fund balance exceeded actuals by \$4.8 million or 1.4 percent. At the first quarter mark in the fiscal year, total resources equal 61.4 percent of the amount anticipated in the FY 2024 budget for this grouping of funds.

### Expenditures

The nine funds marked with an \* have a total of 565.6 full-time equivalent (FTE) authorized positions, approximately 41.1 percent of the total FTE count for the City in the FY 2024 budget. The General Fund supports the remaining 809.5 FTE positions. Of the \$66.9 million in total actual expense through September 30 documented in the above table, \$16.4 million or 24.5 percent is personal services expense.

Materials and services, purchases for supplies, equipment, and services, equal \$41.1 million or 61.5 percent of total expenses. Four funds—the Utility Fund, Self Insurance Benefits Fund, Self Insurance Risk Fund, and Capital Improvements Fund—account for \$47.3 million or 70.7 percent of the total quarterly expenses of all the other funds.



## URBAN RENEWAL AGENCY FINANCIAL SUMMARY Through Q1 / FY 2024

This "By the Numbers" summary of FY 2024 activity for the period of July 2023 through September 2023 provides a brief update of the Urban Renewal Agency's eight active areas and the Agency-owned Salem Convention Center. For the comparisons to budget and prior year activity a positive percentage denotes FY 2024 results are greater.

	Resources			Expenditures		
	Actual through Sept 30	As a Percent of Budget	Difference FY 2023 to FY 2024 Actual	Actual through Sept 30	As a Percent of Budget	Difference FY 2023 to FY 2024 Actual
<b>Debt Service Fund</b>						
Riverfront Downtown	2,325,801	25.7%	-2.2%	-	-	-
Fairview	-	0.0%	-	-	-	-
North Gateway	672,852	11.4%	-4.2%	-	-	-
West Salem	886,943	32.6%	-1.1%	-	-	-
Mill Creek	1,240,933	23.8%	-1.1%	-	-	-
McGilchrist	576,739	33.3%	-1.3%	-	-	-
South Waterfront	146,673	22.0%	-2.2%	-	-	-
Jory Apartments	12,609	4.7%	2.9%	-	-	-
<b>Total</b>	<b>5,862,551</b>	<b>23.0%</b>	<b>-1.9%</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Resources			Expenditures		
	Actual through Sept 30	As a Percent of Budget	Difference FY 2023 to FY 2024 Actual	Actual through Sept 30	As a Percent of Budget	Difference FY 2023 to FY 2024 Actual
<b>Capital Improvements Fund</b>						
Riverfront Downtown	22,069,479	70.5%	0.0%	661,522	2.1%	-14.9%
Fairview	2,400,672	709.2%	0.0%	92,689	27.4%	-51.3%
North Gateway	17,179,645	66.7%	0.1%	205,321	0.8%	290.4%
West Salem	7,783,430	67.2%	0.1%	1,006,465	8.7%	425.7%
Mill Creek	2,089,555	28.1%	0.2%	38,547	0.5%	-21.0%
McGilchrist	5,858,972	38.2%	-0.5%	364,446	2.4%	12.1%
South Waterfront	1,348,001	275.1%	0.0%	2,590	0.5%	29.8%
Jory Apartments	(555)	-0.2%	0.0%	51	0.0%	219.3%
<b>Total</b>	<b>58,729,199</b>	<b>63.5%</b>	<b>0.0%</b>	<b>2,371,631</b>	<b>2.6%</b>	<b>49.4%</b>

### Salem Convention Center Fund and Convention Center Gain / Loss Reserve

Resources for the Salem Convention Center Fund include beginning fund balance of \$1,130,044 and revenue from food sales and equipment and room rentals of \$484,269 for a total of \$1,614,313. Through the period, \$522,651 has been posted as the cost of providing convention services.

The Convention Center Gain / Loss Reserve\* started the fiscal year with beginning fund balance of \$3,323,239. Interest postings through the quarter added \$23,107. Expenses through the period totaled \$179,368, largely for significant facility maintenance and replacement costs.

\*A reserve established to cover any operational losses.

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



CITY OF *Salem*  
AT YOUR SERVICE

FISCAL YEARS  
**2025-29**



Five-Year  
Forecast

# City of Salem Oregon

## Five-Year Financial Forecasts

### Fiscal Year 2025 through 2029

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 Benefits Fund  
Self Insurance Risk Fund  
Streetlight Fund  
Willamette Valley Communications Center (WVCC) Fund

Keith Stahley, City Manager

City of Salem Budget Office

January 2024



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A – Assumptions for Forecast	A1 – A4
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# Five-Year Financial Forecasts, FY 2025 – FY 2029

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

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Shengnan Thomas, Administrative Analyst

## Community Planning and Development Department

*Forecasts: Building and Safety Fund*  
Kristin Retherford, Director  
Keith Sekishiro, Interim Building and Safety Administrator  
Michael Brown, Financial Services Manager

## Public Works Department

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

Brian D. Martin, PE, Public Works Director  
Mark Becktel, Assistant Director, AICP  
Alicia Blalock, Assistant Director  
Robert Chandler, PhD., PE, Assistant Director  
Jue Zhao, PhD., PE, Assistant Director  
John Paskell, Airport Manager  
Mirla Alvarez, Financial & Support Services Mgr.  
Heidi Rietman, Management Analyst II

## Fire Department

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

Mike Niblock, Fire Chief  
Brian Carrara, Deputy Chief of Administrative Services  
Scott Leavell, Deputy Chief of Public Safety Communications  
Rachael Hostetler, Management Analyst II

## Enterprise Services Department

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

Krishna Namburi, Deputy City Manager  
Michele Bennett, Human Resources Manager  
Tiffany Corbett, Enterprise Strategy and Employee Development Manager  
Michelle Teed, Risk Manager  
Jim Schmidt, Service Technologies Manager  
Danny Smith, Budget, Procurement & Analysis Mgr.  
Alisha Delos Reyes, Management Analyst II

## Community Services Department

*Forecast: Cultural and Tourism (TOT) Fund*

Scott Archer, Deputy City Manager  
Chris Neider, Program Manager III

# 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 continues 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 the potential for additional programs not previously provided by the City. With the increase in expenses, strategies to move toward alignment between revenues and expenses 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 (GFOA) 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 which is not likely. However, the forecasts do reflect the impact of known factors and professional estimates to project financial trends in each fund into the future.

The document highlights the General Fund, Transportation Services Fund, and Utility Fund in more detail which includes a financial display of variability with the forecast assumptions (example on page 21). The General Fund also includes three forecast scenarios based on information that has been discussed in recent months with City Council. In addition to the highlighted funds, this document includes 11 other forecasts for other funds and cost centers. 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 forecasts are presented next in the document with a one- or two-page summary for each fund. The summary includes a numeric table with the five-year financial 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.

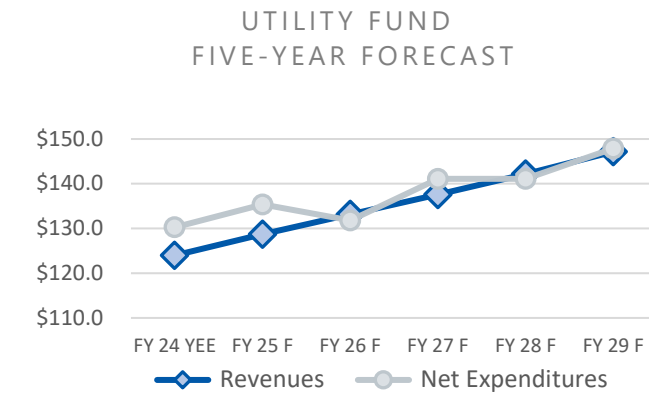
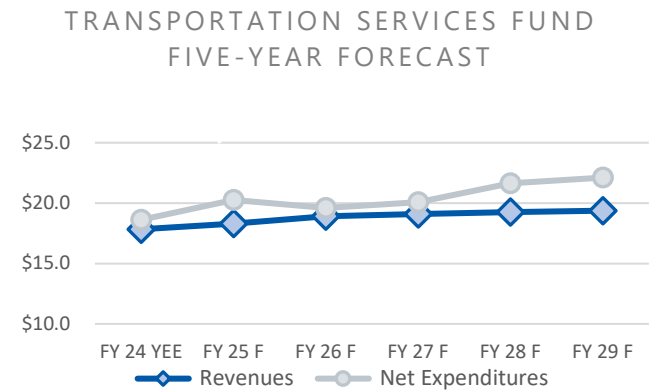
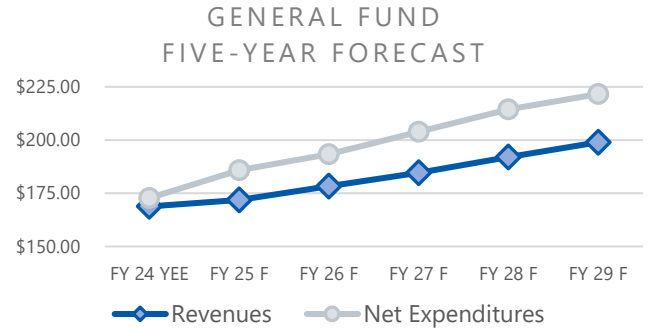


# Forecast Snapshot

The forecast for the *General Fund* demonstrates a structural imbalance between current, available revenue and the cost of providing services. Even with revenue generated through an increase in the City Operations fee, 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 49) and small anticipated increases in state highway fund revenues. However, these two factors are not sufficient to stall an imbalance between current revenues and the expense of transportation services (more detail on page 23).

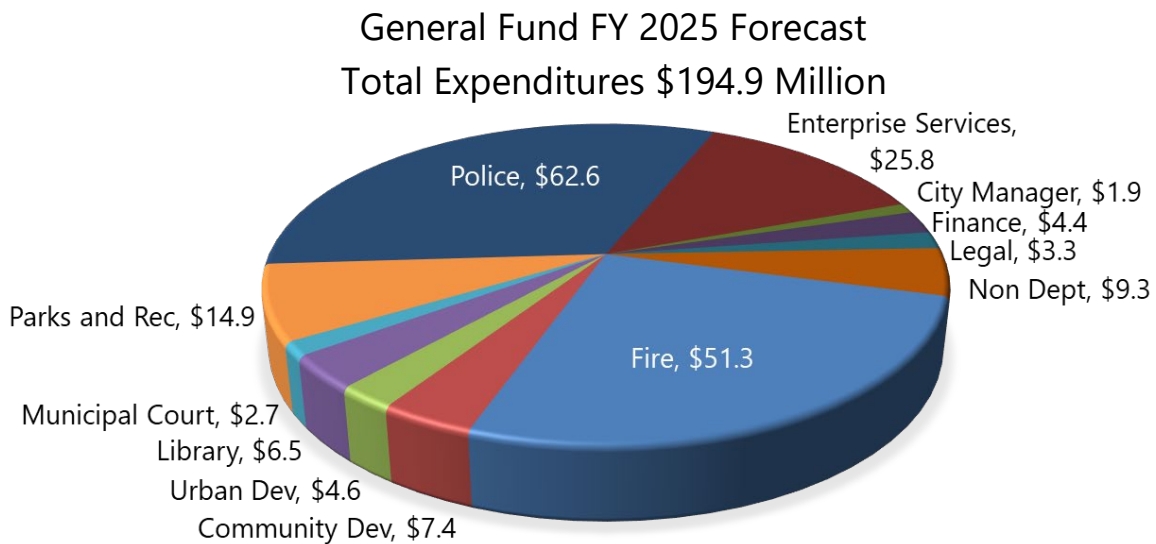
Consistent rate increases are modeled in the forecast for the *Utility Fund* and provide sufficient resources to operate and maintain the water, wastewater, and stormwater utility systems over the five-year period. In addition, the forecast demonstrates an approximate \$35.9-\$43.9 million annual contribution through debt service payments and pay-as-you-go funding for Utility capital improvements (more detail on page 31).



# 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 internal support services that provide a Citywide benefit. The General Fund five-year forecast is built with a baseline set of assumptions that represent current service delivery. This baseline includes the positions that were added in the FY 2024 budget and a reasonable assumption of cost increases like medical rates along with some expectation of savings.



The goal of the forecast is to display an estimate of revenues and expenditures and to determine the general financial trajectory of each fund. However, there are bound to be variations from estimates and changes in factors that make the forecast result different from actuals. Major drivers of expenditures and revenues are analyzed and evaluated at a 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 including all known factors and rates to afford accuracy in future year projections.

FY 2023 actuals, FY 2024 year-end estimates, and the General Fund forecast for FY 2025 – 2029 continues the trend experienced during fiscal years 2017 through 2019 where expenditures exceed revenues. In the final four years of the forecast, expenses increase approximately \$8.93 million each year, on average.

## Current Status

The City's strong financial management practices and one-time revenues have helped to maintain General Fund working capital at or above the City Council's policy of 15 percent of budgeted revenues for the last few years. 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 nearly \$33 million in available cash or fund balance to avoid borrowing from other funds to pay for General Fund expenses incurred from July through October each fiscal year. The majority of property tax revenue, the largest source of revenue for the General Fund, is received in November.

FY 2024 began with fund balance of over \$36 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 \$5.8 million more revenue from the American Rescue Plan Act (ARPA) to replace City revenue lost during the pandemic with another \$9.5 million received in May 2022. A final round of revenue replacement funding of \$675k occurred in FY 2023. This infusion of federal stimulus temporarily stabilized the General Fund budget to continue City services. These one-time funds increased fund balance to during fiscal years 2020 through 2022. Consumption of fund balance resumed in fiscal year 2023, drawing down \$4.1 million, a trend that is anticipated to continue throughout the forecast period. In addition to revenue replacement, \$8.1 million in ARPA funds were allocated in fiscal year 2022 by City Council to expand sheltering services and programs for unsheltered residents. Ongoing expenses for micro-shelter sites moved to a trust fund due to a change in funding source: state grants totaling \$13 million. Continuation of micro-shelter sites after current grant sources are fully expended is not included in the General Fund forecast.

## Future Outlook

The outlook for the next five years still anticipates a growing gap between ongoing revenues and expenditures. While additional revenue from the City Operations Fee helps to lessen its magnitude, an escalating imbalance continues to exist. The City Operations Fee increases each year based on annual changes in Consumer Price Index (CPI) and with new utility account growth, but the impact of these increases is not large enough to close the gap in the General Fund. In FY 2024, there was a one-time Operations Fee increase which added just under \$6 million in revenue in each year of the forecast. Even with the additional funding, ending fund balance is nearly fully expended in the second year of the forecast and falls below Council policy in the first year. While fund balance was not accessed to balance expenditures in FY 2021 or FY 2022, use occurred in FY 2023 and is expected to occur in the current fiscal year. This trend continues in each year of the forecast period.

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

- The three percent statutory limit on property tax growth contributes to the use of working capital in the General Fund forecast. Property tax is estimated at \$87.8 million for FY 2025, representing 51 percent of all General Fund revenues. The benefit of this limitation is the consistent and predictable source of revenue it provides in a variety of economic climates, with the disadvantage being its insufficiency to grow at or above the rate of cost increases for General Fund services. The forecast for FY 2025 through FY 2029 anticipates property tax revenue escalating by 4.1 percent, the statutory limit plus a level of increase for new property and other development growth.
- The cost of personnel to provide City services continues to increase at a more rapid pace than the overall growth in revenue. For instance, forecasted costs in the current service level scenario for the General Fund's two largest departments – Police and Fire – equate to \$113.9 million for FY 2025, over 59 percent of the fund's budget (excluding contingency). The FY 2025 forecast expense for the two public safety departments exceeds the current year base budget by \$5.2 million or 4.8 percent. For FY 2025, in the reduction only scenario, which shows solving the structural imbalance in the General Fund solely by eliminating expenses, that increase is cut to about \$2.8 million or 2.6 percent in excess of the current year base budget.

## Forecast Result

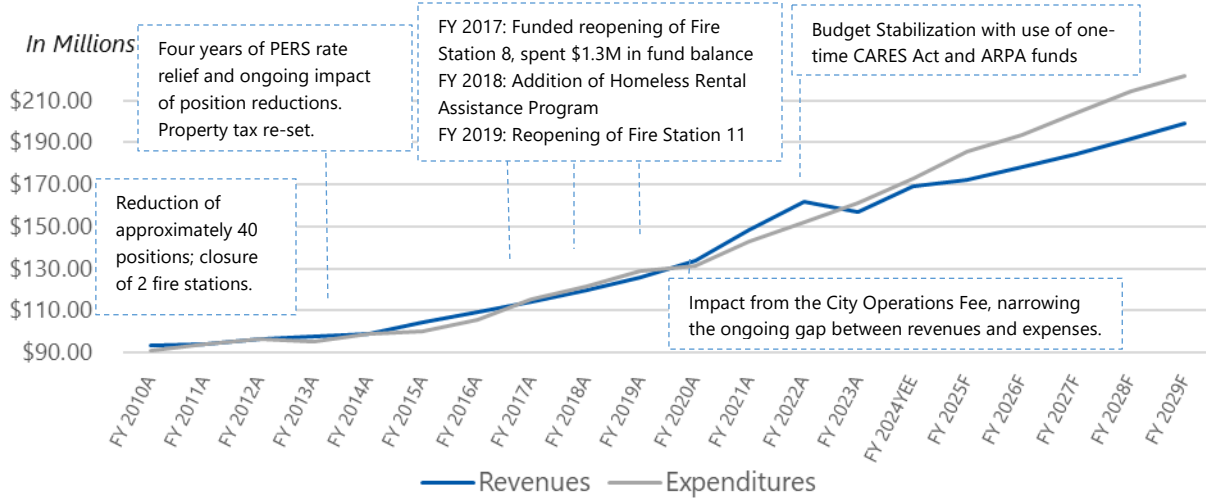
The outlook for the next five years, which incorporates the conditions noted above, as well as dozens of assumptions for both revenues and expenses, provides ongoing evidence of a structural imbalance between the estimated cost of General Fund services and anticipated revenues. While revenue from the Operations Fee and one-time COVID relief funding increased revenue enough to bolster fund balance in the short term, the structural imbalance persists.

The pandemic negatively impacted many categories of City revenue in prior fiscal years. With most revenue lines stabilized during fiscal year 2023, some at a lower base than pre-pandemic levels, the fund is predicted to realize aggregate increases of 1.8 percent to 4.0 percent in various revenue types 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 3.4 percent to 7.6 percent. The primary expense increases for the fund remain those associated with the cost of employees that provide City services.

The next graph illustrates recent revenue and expenditure history in the General Fund with projections for the current fiscal year and the five-year forecast period based on the current service level scenario. After that, three forecast scenarios for the General Fund displayed, each with a high-level summary of the five-year forecast result with indicators of fund balance status. The first scenario is at the current service level, including all the positions that were added through the FY 2024 budget. The next two scenarios show varying level of

expense reductions to lessen the gap between revenues and expenses. The revenue assumptions in each of the scenarios remains consistent.

## General Fund Revenue and Expenditure History and Forecast

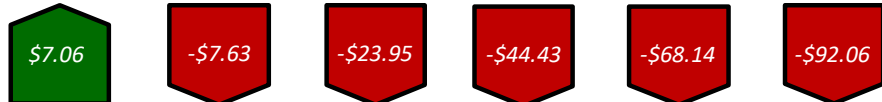


## General Fund Table 1, FY 2025 – FY 2029 Forecast Summary, Current Service Level Scenario

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

FY 2025 - FY 2029 Summary (in millions)						
	FY 2024 YEE	FY 2025 F	FY 2026 F	FY 2027 F	FY 2028 F	FY 2029 F
Beginning Fund Balance	\$ 36.58	\$ 32.38	\$ 18.16	\$ 2.79	\$ (16.75)	\$ (39.34)
Revenues	\$ 168.82	\$ 171.90	\$ 178.25	\$ 184.57	\$ 192.01	\$ 198.96
Total Expenditures	\$ 173.02	\$ 194.87	\$ 202.57	\$ 211.68	\$ 222.45	\$ 229.87
Unspent Contingency		(2.50)	(2.50)	(2.50)	(2.50)	(2.50)
Savings*		(6.25)	(6.45)	(5.07)	(5.35)	(5.54)
Net Expenditures	\$ 173.02	\$ 186.13	\$ 193.62	\$ 204.11	\$ 214.60	\$ 221.83
Ending Fund Balance	\$ 32.38	\$ 18.16	\$ 2.79	\$ (16.75)	\$ (39.34)	\$ (62.21)
Fiscal Year Impact	\$ (4.19)	\$ (14.22)	\$ (15.37)	\$ (19.54)	\$ (22.59)	\$ (22.87)
Fund Balance Policy at 15% of Revenues	\$ 25.32	\$ 25.79	\$ 26.74	\$ 27.69	\$ 28.80	\$ 29.84

Council Policy Compliance



\*Savings include an expectation of 10 additional police vacancies due to difficulty hiring in the first two years of the forecast as well as a general 2.5 percent overall savings expectation throughout the forecast.

## Forecast Result – General Fund Current Service Level Scenario Detail

This forecast scenario includes the positions that were added through the FY 2024 budget process when a new, significant revenue source in the General Fund was anticipated. A supplemental budget will come before City Council in February 2024 to eliminate these new positions along with some other positions, reducing the size of the budget. The scenario showing the impact of the supplemental budget is closer to the financial picture that is most likely in the near term. Even if the supplemental budget does not pass, these new positions would remain unfilled into the future.

The forecast expenditure base is adjusted for all known and projected service level costs. Market adjustments or cost-of-living increases for all work units are considered. For years outside of a labor contract, an initial 5 percent cost-of-living increase is used to recognize the impact of persistently high inflation and three percent is used for the other forecasted years. The expenditure base also includes a PERS rate increase of just over two percent for FY 2026 with a larger increase of six percent projected for FY 2028 when the Pension Obligation Bond is fully repaid, and the City's side account created from those bond funds expires. The side account provides a PERS rate reduction to the City which will be removed from rate setting in FY 2028. Health benefits rate increases align with actuarial guidance and policy requirements. Most materials and services category items (e.g., 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 to fund the state medical leave program, Paid Leave Oregon. The State determined that employees would be responsible for 60 percent of the contribution, but the City opted to pay both the employee and employer portions.

Despite fund balance growth from FY 2020 through FY 2022 due largely to federal stimulus, FY 2023 results and the forecast demonstrate a level of projected revenues lower than the anticipated increases in service delivery costs. The forecast also displays savings derived from unspent fund contingencies and a level of naturally occurring savings from employee attrition and other unanticipated economies averaging 3.9 percent through the forecast period. As context, the level of aggregate savings realized in FY 2023 was 4.9 percent and FY 2024 year-end savings are estimated at 7.1 percent.

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 in FY 2025. The City would be unable to adopt a General Fund budget as presented in fiscal year 2026. Throughout the forecast period, net expenditures exceed revenues by a range of \$14.22 million to \$22.87 million.

# General Fund Table 2, FY 2025 – FY 2029 Forecast Summary, Supplemental Budget Scenario

FY 2025 - FY 2029 Summary <i>(in millions)</i>							
	FY 2024 YEE	FY 2025 F	FY 2026 F	FY 2027 F	FY 2028 F	FY 2029 F	
Beginning Fund Balance	\$ 36.58	\$ 32.38	\$ 23.96	\$ 14.88	\$ 2.02	\$ (13.23)	
Revenues	\$ 168.82	\$ 171.90	\$ 178.25	\$ 184.57	\$ 192.01	\$ 198.96	
Total Expenditures	\$ 173.02	\$ 194.87	\$ 202.57	\$ 211.68	\$ 222.45	\$ 229.87	
Proposed Reductions		(5.95)	(6.45)	(6.85)	(7.54)	(7.97)	
Unspent Contingency		(2.50)	(2.50)	(2.50)	(2.50)	(2.50)	
Savings*		(6.10)	(6.29)	(4.90)	(5.16)	(5.34)	
Net Expenditures	\$ 173.02	\$ 180.32	\$ 187.33	\$ 197.43	\$ 207.25	\$ 214.06	
Ending Fund Balance	\$ 32.38	\$ 23.96	\$ 14.88	\$ 2.02	\$ (13.23)	\$ (28.32)	
Fiscal Year Impact	\$ (4.19)	\$ (8.42)	\$ (9.08)	\$ (12.86)	\$ (15.25)	\$ (15.09)	
Fund Balance Policy at 15% of Revenues	\$ 25.32	\$ 25.79	\$ 26.74	\$ 27.69	\$ 28.80	\$ 29.84	
Council Policy Compliance		\$7.06	-\$1.82	-\$11.86	-\$25.67	-\$42.03	-\$58.17

\*Savings include an expectation of 10 additional police vacancies due to difficulty hiring in the first two years of the forecast as well as a general 2.5 percent overall savings expectation throughout the forecast.

## Forecast Result – General Fund Detail, Supplemental Budget Scenario

The supplemental budget scenario forecast uses the same assumptions as the base forecast above but reflects elimination of 42 currently vacant positions. The reduction of positions will be requested in the supplemental budget coming to Council in February 2024 and is shown as *Proposed Reductions* in the table above. The vacancies to be cut consist of new positions added in the Fiscal Year 2024 budget, which have been intentionally held open as new funding options were considered. These positions include: nine in enterprise services, one in legal, two in finance, five in parks, and four code compliance officers. The list also includes one position each in Police, Fire, Library, and Urban Development. Elimination of these positions would mean no new internal services support for the foreseeable future, cancellation of the planned expansion of the Salem Outreach and Livability Services (SOS) team to seven days per week, no new park rangers, and reduced internal administrative and technical support for Police, Fire, Urban Development, Library, Code Compliance, and Community Services.

Additionally, seven existing positions in Library, four in Police, and six in Fire that became vacant through attrition were held open in anticipation of potential reductions. Operational hours at the Library have already been reduced to reflect the removal of these vacancies.

These additional position reductions will mean elimination of the Drug Enforcement Unit in the Police Department and a team of firefighter positions.







The result of these reductions over the forecast period is a continued, annual draw down of fund balance in each year of the forecast. In this scenario, fund balance drops below City Council policy in FY 2025. Enough fund balance remains to adopt a budget in FY 2026, but a budget could not be adopted in FY 2027.



# General Fund Table 3, FY 2025 – FY 2029 Forecast Summary, Reduction Only Scenario

FY 2025 - FY 2029 Summary (in millions)						
	FY 2024 YEE	FY 2025 F	FY 2026 F	FY 2027 F	FY 2028 F	FY 2029 F
Beginning Fund Balance	\$ 36.58	\$ 32.38	\$ 27.93	\$ 26.46	\$ 21.52	\$ 16.83
Revenues	\$ 168.82	\$ 171.90	\$ 178.25	\$ 184.57	\$ 192.01	\$ 198.96
Total Expenditures	\$ 173.02	\$ 194.87	\$ 202.57	\$ 211.68	\$ 222.45	\$ 229.87
Proposed Reductions		(5.95)	(6.45)	(6.85)	(7.54)	(7.97)
Future Reduction Options		(4.07)	(7.82)	(8.12)	(10.83)	(11.24)
Unspent Contingency		(2.50)	(2.50)	(2.50)	(2.50)	(2.50)
Savings*		(6.00)	(6.09)	(4.70)	(4.89)	(5.06)
Net Expenditures	\$ 173.02	\$ 176.36	\$ 179.71	\$ 189.52	\$ 196.69	\$ 203.10
Ending Fund Balance	\$ 32.38	\$ 27.93	\$ 26.46	\$ 21.52	\$ 16.83	\$ 12.70
Fiscal Year Impact	\$ (4.19)	\$ (4.46)	\$ (1.46)	\$ (4.94)	\$ (4.69)	\$ (4.14)
Fund Balance Policy at 15% of Revenues	\$ 25.32	\$ 25.79	\$ 26.74	\$ 27.69	\$ 28.80	\$ 29.84

<i>Council Policy Compliance</i>						
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\*Savings include an expectation of 10 additional police vacancies due to difficulty hiring in the first two years of the forecast as well as a general 2.5 percent overall savings expectation throughout the forecast.

## Forecast Result – General Fund Detail, Reduction Only Scenario

This reduction scenario is based on the information presented at the [September 18, 2023, City Council work session](#) which kept the General Fund balance positive throughout the forecast period with only expenditure reductions. The financial picture in this scenario is slightly worse than the result presented at the work session. A number of expense factors known in this forecast were higher than in the last forecast scenario, such as PERS and healthcare costs.

In addition to the positions eliminated in the supplemental budget scenario, this scenario layers on the *Future Reduction Options* line in the table above to remove another 51 positions throughout the forecast. Beginning in FY 2025 a total of 21 positions would be cut: seven parks maintenance positions, 12 Library positions (closure of West Salem Branch Library), one Police graffiti removal position, and the youth services coordinator and program. Also, for FY 2025, funding for all social service grants and existing sheltering services supported by the General Fund like safe parking and warming shelters would cease. In FY 2026, one fire station (nine firefighters) would be eliminated, along with 12 police officers and staff. Finally in FY 2028 another fire station (nine firefighters) would be reduced. The scenario also includes increased fees for parks, recreation, and Center 50+, along with a redirection of Transient Occupancy Tax (TOT) revenue away from third party grantees to fund City parks maintenance.

Even with these drastic reductions in City services, without a new revenue source in the General Fund, the structural imbalance persists. More reductions would be required in future forecast periods.

# General Fund Table 4, FY 2025 – FY 2029 Forecast, Carryovers

The forecast outcome of Table 4 mirrors Table 1 with the addition of an estimate for carryovers in FY 2025. The General Fund always has projects or purchases that are initially budgeted in one fiscal year but will not be completed until 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 2024 YE Estimate*, Table 1) with the result of carryover expenses and resources included in the adoption of the new fiscal year budget.

Table 4 adds the impact of carryover expenditures in the *FY 2024 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 2024 YE Estimate	FY 2025 Forecast	
Fund balance	\$ 36.58	\$ 33.88	1
Revenues	168.82	171.90	
<b>TOTAL RESOURCES</b>	<b>\$ 205.40</b>	<b>\$ 205.79</b>	
<b>TOTAL EXPENDITURES</b>	<b>\$ 173.02</b>	<b>\$ 187.63</b>	2
Unspent Contingency			
2% Savings			
Carryovers	(1.50)		
<b>NET EXPENDITURES</b>	<b>\$ 171.52</b>		1
<b>ENDING FUND BALANCE</b>	<b>\$ 33.88</b>		
Chg to Fund balance	(2.69)		

## Forecast Result – Revenue Detail

The revenue estimates presented in this document rely on analysis of county property tax records, adjustments in utility rates / franchise revenue, local building activity, legislated changes, recent historical trends, and other economic drivers. Projections include assumptions of a recovery to historical trends for the vast majority of General Fund revenue sources during the forecast period, with the exception of parking-related revenues. The ARPA granted federal funding to cities in part to offset revenue lost during the pandemic. The General Fund received \$16.1 million in ARPA funding to replace lost revenue which resulted in the increase of fund balance in FY 2021 and FY 2022. With this one-time funding exhausted, use of fund balance resumed in FY 2023 declining by \$4.1 million. The forecast starts with FY 2024 revenue sources and year-end estimates and augments with assumptions for growth in all revenue categories with the exception of parking estimates fluctuating based on the difference in parking activity during the long and short State legislative session, and other revenue as interest income declines with the use of fund balance. The range of growth assumptions includes:

- The impact of the full 3 percent statutory increase and 1.1 percent for new growth in current property tax revenues. Tax receipts increase year-over-year in the forecast by \$3.4 million to \$4.1 million. These estimates contemplate continued growth of property values. If a recession were to occur during the forecast period that affected housing prices, these growth factors could be lower due to property tax compression.
- Franchise fee growth factors vary by type with electricity estimated at 8 percent to 10 percent growth each year and cable decreasing by 1 percent each year. Natural gas is projected to decrease in FY 2025 and remain flat through the forecast period. Ongoing aggregate increases in the franchise fee category range from 4.4 percent to 4.6 percent.
- The decline in parking activity during the pandemic translated to a lower base going forward in parking meter and parking permit revenue. While not expected to return to pre-pandemic levels, parking revenues have been trending upward. Another impact is the effect of the length of the State legislative session on the amount of parking meter revenue expected.
- The internal charges category is anticipated to increase between 2.8 and 7.6 percent each year.
- State shared revenues are anticipated to grow by approximately 3.5 percent in each year of the forecast with only Cigarette Tax revenue declining.
- The City Operations Fee is expected to generate between \$14.2 million and \$15.4 million in each year of the forecast due to the fee increase effective July 2024, account growth, and Consumer Price Index (CPI) rate increases. The increase in this revenue source bolsters the General Fund forecast and is approximately \$6 million more than what was published in last year's forecast.
- Transfers from other funds decline in the first two years of the forecast due to grant funds being fully expended and reimbursements to the General Fund ceasing for outreach and livability services as well as the Parks tree restoration programs.

## General Fund Table 5, Revenues by Source (Values in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Property Taxes	\$87.79	\$91.39	\$95.14	\$99.04	\$103.10
Sales Tax	1.66	1.71	1.76	1.81	1.86
Franchise Fees	23.09	24.12	25.23	26.37	27.60
State Shared Revenues	8.22	8.51	8.82	9.14	9.48
Fees for Services / Other Fees	19.03	19.49	19.88	20.27	20.68
Fines, Penalties, and Forfeitures	3.65	3.90	4.00	4.11	4.22
Rents, Permits, Licenses	3.13	3.13	3.28	3.28	3.42
Cost Allocation / Internal Charges	19.33	20.59	21.59	23.23	23.88
Other Agencies, Grants	1.73	1.74	1.76	1.78	1.80
Transfer from Other Funds	3.04	2.47	2.03	2.09	2.15
Miscellaneous	1.23	1.19	1.09	0.88	0.76
<b>TOTAL REVENUES</b>	<b>\$171.90</b>	<b>\$178.25</b>	<b>\$184.57</b>	<b>\$192.01</b>	<b>\$198.96</b>
% Change from Previous Year	1.82%	3.69%	3.55%	4.03%	3.00%

# Forecast Result – Expenditure Detail

The base forecast for the General Fund reflects the current level of service including the positions that were added in the FY 2024 budget. It is developed using cost escalation information from labor agreements, health insurance consultant analysis, updated PERS rate information and estimates for future years, vendor contracts, the CPI, 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 6 summarizes the five-year expenditure forecast by expense category. Increased rates for compensation market adjustments, PERS obligations, and health insurances for current employees constitute the 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 2025 column, the percent change from the previous year (bottom row) is based on the comparison of FY 2024 year-end estimate and the FY 2025 forecast.

## General Fund Table 6, Expenditures by Category (Values in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Personal Services	\$150.89	\$157.73	\$165.24	\$174.66	\$180.24
Materials and Services	37.81	39.31	41.03	42.35	44.21
Capital Outlay	0.60	0.56	0.49	0.48	0.62
Debt Service	0.37	0.69	0.62	0.59	0.62
Transfers*	2.20	1.29	1.30	1.37	1.17
Contingency	3.00	3.00	3.00	3.00	3.00
<b>TOTAL EXPENDITURES</b>	<b>\$194.87</b>	<b>\$202.57</b>	<b>\$211.68</b>	<b>\$222.45</b>	<b>\$229.87</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>(6.25)</i>	<i>(6.45)</i>	<i>(5.07)</i>	<i>(5.35)</i>	<i>(5.54)</i>
<b>TOTAL NET EXPENDITURES</b>	<b>\$ 186.13</b>	<b>\$ 193.62</b>	<b>\$ 204.11</b>	<b>\$ 214.60</b>	<b>\$ 221.83</b>
<b>% Change from Previous Year</b>	<b>7.58%</b>	<b>4.04%</b>	<b>5.44%</b>	<b>5.14%</b>	<b>3.37%</b>

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

# Forecast Variability – Fund Balance Impacts

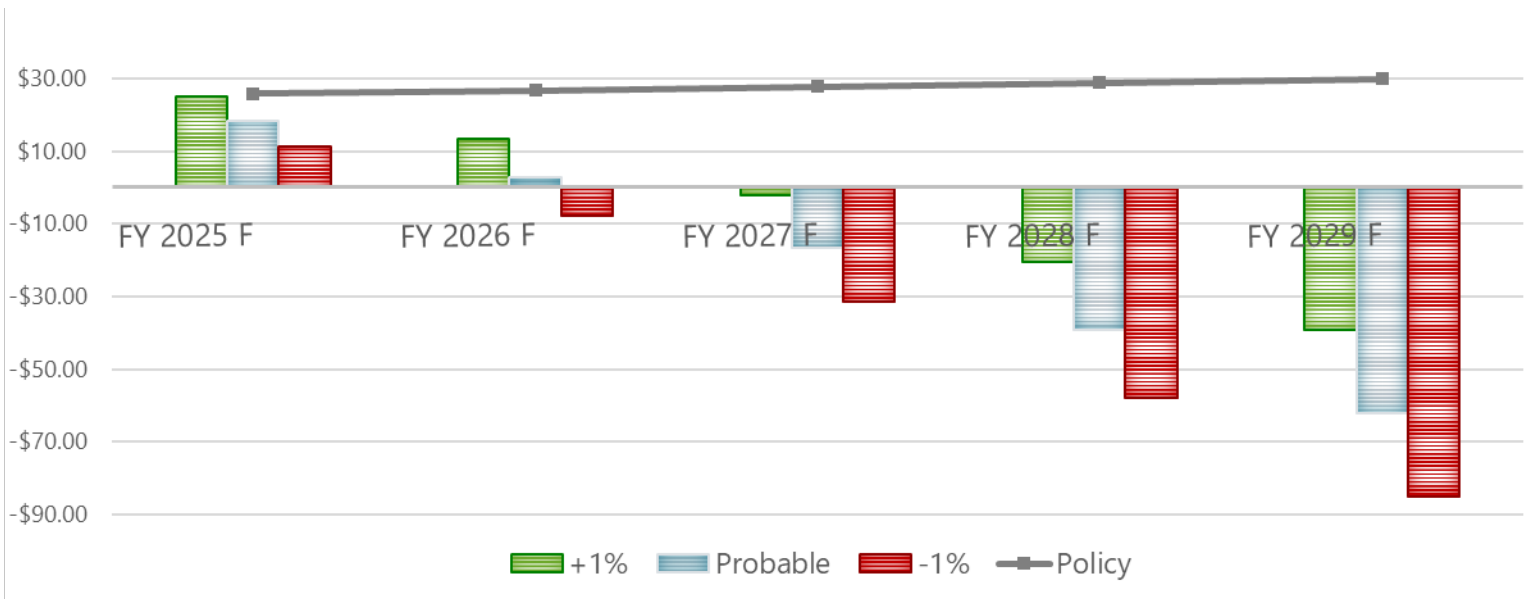
The graph below demonstrates variable results of the FY 2025 – FY 2029 current service level forecast through the display of fund balance - the difference between resources and expenditures for each fiscal year. There are three scenarios presented.

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.

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 in FY 2026.

## 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, bikeways, and pedestrian network. The Transportation Services Fund provides the financial structure for the Department to respond to City Council goals that address transportation, public safety, livability, environmental health, and economic development.

## Current Status

The City's Transportation Services Fund forecast is based on the October 2023 Oregon Department of Transportation (ODOT) revenue forecast. It is unknown at this time whether there will be an adjustment in motor vehicle fees and taxes to reflect changing economic conditions.

The FY 2024 Transportation Services Fund beginning fund balance was \$7.8 million and is projected to decrease to \$7.2 million by the end of the fiscal year. If assumptions hold, and the conditional State Highway Fund revenue increase is realized in 2024, the Transportation Services Fund will be able to sustain basic operations throughout the first four years of the forecast period. Funding is insufficient, however, to maintain basic operations in the fifth year.

Funding is not sufficient to support structural pavement maintenance and reconstruction, or robust Safer Pedestrian Crossings, Neighborhood Traffic Safety, or Bicycle Safety programs. During the forecast period, investment for the Safer Pedestrian Crossings Program will be funded through 2022 Safety and Livability Bond funds, limited remaining 2008 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 may impact programming levels.

Expenditure reductions will be required by the fourth year if additional revenue sources are not identified. Projected growth in State Highway Fund revenue is less than one percent the last four years of the forecast which does not keep pace with inflationary factors for labor and materials.

## 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. Limited 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 or replacement of residential concrete streets. This forecast does not include any new positions.

Although community growth and service level demands demonstrate the need for additional positions for signs, markings, and sidewalk maintenance, the fund cannot support these enhancements without additional revenue. Due to current funding limitations, equipment replacement and capital outlay have been carefully planned to reduce impact in any single budget year. The forecast employs a four percent savings rate, commensurate with recent experience. 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 2024 budget and maintains the \$2.2 million annual program for sidewalk maintenance and replacement during the five years of the forecast, including the Sidewalk Response Team. The forecast also maintains \$4.4 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 many factors such as inflation, economic recovery, and population trends. 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 at current levels throughout the forecast period. Available revenue is insufficient to fund an ongoing structural pavement rehabilitation program except for the projects included in the 2022 Salem Safety and Livability Bond.

The forecast shows that the Transportation Services Fund is on an unsustainable trajectory and will be substantially depleted by the end of the fourth year of the five-year forecast period. In the coming years, increased revenues will be required to maintain current service levels. The 2018 Sustainable Services Revenue Task Force recommended City Council explore a local option gas tax. If enacted at a rate of \$0.06 per gallon, a local option gas tax would provide an estimated \$4.8 million in annual resources. A portion of these resources would be directed to maintaining existing programs at current levels, as costs continue to escalate, and a portion could be directed to Neighborhood Traffic Safety, Bicycle Safety, and additional 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.

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 2025 – FY 2029 Forecast Summary

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

FY 2025 - FY 2029 Summary (in millions)						
	FY 2024 YEE	FY 2025 F	FY 2026 F	FY 2027 F	FY 2028 F	FY 2029 F
Beginning Fund Balance	\$ 7.77	\$ 7.25	\$ 6.58	\$ 5.62	\$ 3.32	\$ 0.61
Revenues	\$ 18.24	\$ 18.91	\$ 19.09	\$ 19.26	\$ 19.37	\$ 19.58
Net Expenditures	\$ 18.77	\$ 19.58	\$ 20.05	\$ 21.56	\$ 22.09	\$ 22.33
<b>Ending Fund Balance</b>	<b>\$ 7.25</b>	<b>\$ 6.58</b>	<b>\$ 5.62</b>	<b>\$ 3.32</b>	<b>\$ 0.61</b>	<b>\$ (2.14)</b>

Change to Fund Balance

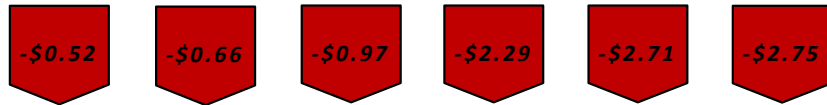


Table 2 is the full summary of the Transportation Services Fund forecast, including the components of Net Expenditures. Personal services costs in this forecast are based on applicable current labor contracts, and in the later years of the forecast, annual adjustments to salary are three percent.

# TS Fund Table 2, FY 2025 – FY 2029 Forecast Summary

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

FY 2025 - FY 2029 Summary (in millions)						
	FY 2024 YEE	FY 2025 F	FY 2026 F	FY 2027 F	FY 2028 F	FY 2029 F
<b>Beginning Fund Balance</b>	<b>\$ 7.77</b>	<b>\$ 7.25</b>	<b>\$ 6.58</b>	<b>\$ 5.62</b>	<b>\$ 3.32</b>	<b>\$ 0.61</b>
<b>Revenues</b>	<b>\$ 18.24</b>	<b>\$ 18.91</b>	<b>\$ 19.09</b>	<b>\$ 19.26</b>	<b>\$ 19.37</b>	<b>\$ 19.58</b>
Total Expenditures	\$ 18.77	\$ 20.85	\$ 21.37	\$ 22.91	\$ 23.48	\$ 23.73
Unspent Contingency		(0.50)	(0.50)	(0.50)	(0.50)	(0.50)
4.0% Savings on M&S		(0.78)	(0.82)	(0.85)	(0.89)	(0.90)
<b>Net Expenditures</b>	<b>\$ 18.77</b>	<b>\$ 19.58</b>	<b>\$ 20.05</b>	<b>\$ 21.56</b>	<b>\$ 22.09</b>	<b>\$ 22.33</b>
Fiscal Year Impact	\$ (0.52)	\$ (0.66)	\$ (0.97)	\$ (2.29)	\$ (2.71)	\$ (2.75)
<b>Ending Fund Balance</b>	<b>\$ 7.25</b>	<b>\$ 6.58</b>	<b>\$ 5.62</b>	<b>\$ 3.32</b>	<b>\$ 0.61</b>	<b>\$ (2.14)</b>

## Forecast Result – Revenue Detail

The revenue forecast is developed using growth expectations established by the Oregon Department of Transportation for state highway revenue. The Transportation Services Fund reflects current revenue trends, acknowledges the continued anticipated impact of House Bill 2017 (HB 2017) and assumes no new or unrealized revenue sources.

Approximately 76 percent of Transportation Services’ resources (excluding beginning fund balance) come from State Highway Fund revenue. Under HB 2017, an additional increase of two cents per gallon is anticipated in 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 3.98 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 six 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 2024 YEE	FY 2025 F	FY 2026 F	FY 2027 F	FY 2028 F	FY 2029 F
State Highway Revenue	\$ 14.10	\$ 14.63	\$ 14.65	\$ 14.68	\$ 14.63	\$ 14.66
Intra City Billings and Transfers	3.10	3.21	3.33	3.45	3.58	3.71
Other Agencies, Grants	0.53	0.54	0.56	0.58	0.59	0.61
All Other Sources	0.51	0.53	0.54	0.56	0.57	0.58
<b>Total REVENUES</b>	<b>\$ 18.24</b>	<b>\$ 18.91</b>	<b>\$ 19.09</b>	<b>\$ 19.26</b>	<b>\$ 19.37</b>	<b>\$ 19.58</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 \$2.2 million for sidewalk maintenance programs and \$4.4 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 \$200,000 is planned for annual preventive pavement maintenance contracts and a yearly average of \$200,000 is planned for Neighborhood Traffic Safety and Bicycle Safety. 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 \$9.39 million by the end of the forecast period (see Table 2, Ending Fund Balance), even without pavement rehabilitation contracts.

### TS Fund Table 4, Expenditures by Category

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

	FY 2024 YEE	FY 2025 F	FY 2026 F	FY 2027 F	FY 2028 F	FY 2029 F
Personal Services	\$ 7.44	\$ 8.69	\$ 9.30	\$ 9.75	\$ 10.40	\$ 10.70
Materials and Services	10.43	10.72	11.16	11.53	11.89	11.82
Capital Outlay	0.34	0.42	0.03	0.46	-	-
Debt Service	-	-	-	-	-	-
Transfers	0.55	0.53	0.38	0.68	0.69	0.71
Contingency	-	0.50	0.50	0.50	0.50	0.50
<b>Total Expenditures</b>	<b>\$ 18.77</b>	<b>\$ 20.85</b>	<b>\$ 21.37</b>	<b>\$ 22.91</b>	<b>\$ 23.48</b>	<b>\$ 23.73</b>
Less:						
Unspent Contingency	-	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)
Anticipated Savings	-	(0.78)	(0.82)	(0.85)	(0.89)	(0.90)
<b>Net Expenditures</b>	<b>\$ 18.77</b>	<b>\$ 19.58</b>	<b>\$ 20.05</b>	<b>\$ 21.56</b>	<b>\$ 22.09</b>	<b>\$ 22.33</b>

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

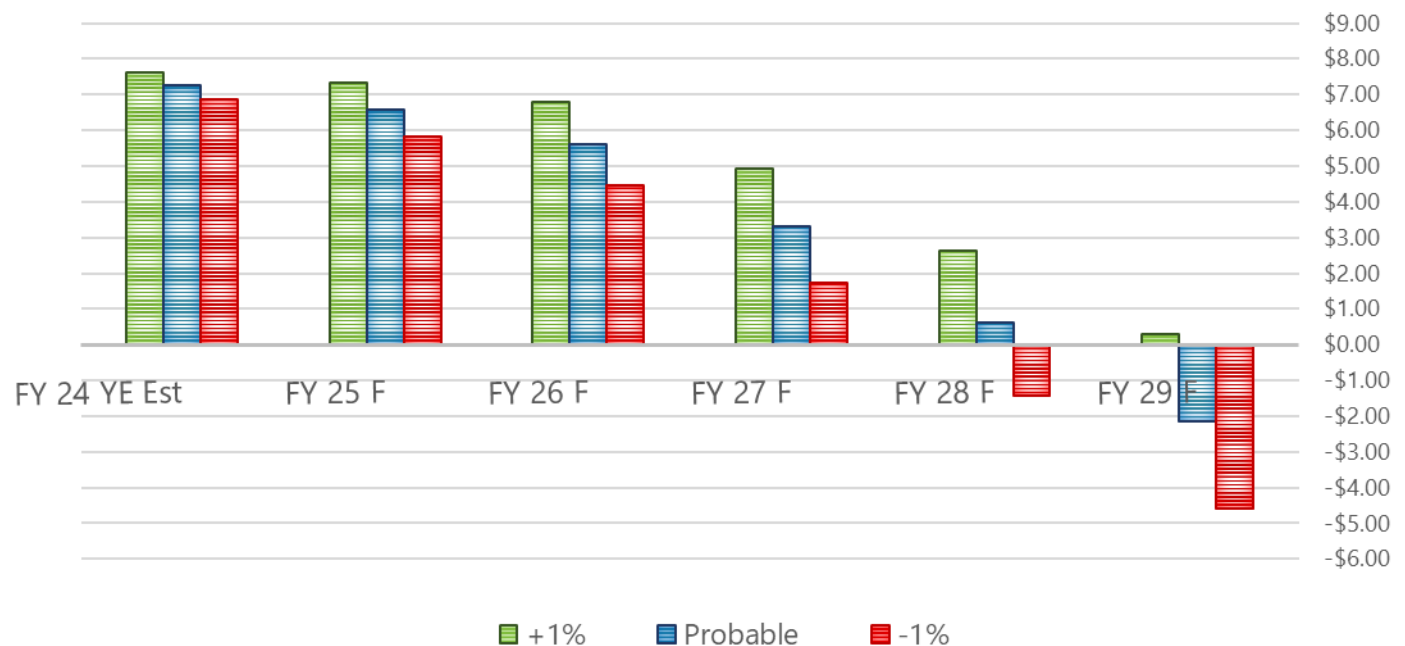
The graph below demonstrates variable results of the FY 2025 – FY 2029 forecast through the display of fund balance - the difference between resources and expenditures for each fiscal year. There are three scenarios presented.

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 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 one percent of revenue growth and an additional one percent of expenditure savings. For the Transportation Services Fund, these changes represent increases to fund balance of \$370,090 to \$433,050 each year of the forecast.

Scenario 3, Lower Revenue / Higher Expenses. The red bar uses the forecast fund balance as the base for assuming one percent lower revenues and one percent higher expense for each fiscal year. By year-end FY 2029, this demonstration reflects fund balance being depleted by 163.5 percent, a loss of \$11.8 million, as compared to year-end FY 2024.

(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 first three years of the forecast; however, by the fourth year, reductions would be required because funding is insufficient to maintain service levels. 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	76%

## 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 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 reduced State Highway Fund revenue, which would result in a corresponding reduction in City services.

## Risk Factor Ranking – MEDIUM

State Highway Fund revenue is impacted by 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, government facilities, 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.

The \$300 million of bonded debt used to modernize and expand utility infrastructure will be retired in 2027. The \$60 million of bonded debt from an issuance in 2020 that focused on water treatment and supplemental supply will be retired in 2040. Continued improvements must be made to the utility infrastructure at a sustainable pace, balancing rate impacts with the rehabilitation, expansion, resiliency, and modernization needs of the systems.

## 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) and debt covenants. Unrestricted fund balance, or the amount exceeding the debt service and operating reserves, remains positive for the term of the forecast, but declines to under \$3.0 million in FY 2026 before increasing in FY 2027 as debt obligations are reduced. Maintaining reserves is a financial best practice to ensure resources are available to meet obligations in the case of an emergency or economic downturn. These reserves enabled the City of Salem to respond effectively to the 2020 wildfires, 2021 ice storm, and the multi-year 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 because of weather, climate change, economic conditions, or other factors impacting customer demand. In any year, a new economic development project or

unanticipated system failure in the heavily capitalized fund may require an immediate expenditure of several million dollars in capital investment.

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 2025, Utility Fund total revenues are 3.82 percent more than the year end estimate for FY 2024. Revenues grow at an average rate of 3.40 percent the remaining four years of the forecast.
- The forecast establishes capacity for capital funding of utility infrastructure projects. Capital funding is maintained over the five-year period as debt is retired. The first two years of the forecast reflect infrastructure investment under \$30 million. In FY 2027, FY 2028, and FY 2029, investment in infrastructure increases to over to \$31 million per year as debt obligations are reduced to \$4.6 million annually, allowing for more capital investment.
- In all years, the forecast contains \$300,000 in Utility Fund support for the Utility Assistance programs which are coordinated through community partners like St. Vincent DePaul, the Salvation Army, and the Mid-Willamette Valley Community Action Agency.
- A total of 6.83 new positions are included in FY 2025. The 3.0 Full Time Equivalent (FTE) sewer repair team includes a Crew Leader, Maintenance Operator II, and Maintenance Operator I. The remaining 3.83 positions include: 1.0 FTE GIS Technician for support of the CityWorks asset management system, 1.0 FTE Utility Field Representative for meter reading, 0.5 FTE dispatch position, 0.33 FTE position to help Willow Lake haul biosolids during the summer months, and 1.0 Program Coordinator to assist with project management in Engineering.

# Forecast Result

## Utility Fund Current Service Level Detail

The Utility Fund forecast provides a view of the financial impact on the City’s utility services, priorities, and policies in relation to projected economic activity and operational needs through FY 2029. This view is influenced by federal and state economic trends, local business activity, property development, City leadership decisions, and growth in primary revenue sources. Water, wastewater, and stormwater rate revenues are anticipated to provide approximately 86 percent of the Fund’s revenue in FY 2025. Additionally, the forecast includes a variety of assumptions for expenditure activity over five years. The primary drivers of expenditure increases include labor agreements, PERS, health care costs, and inflationary increases on goods and contracted services. The tables for City-wide 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 2023 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 2024 Year End Estimate (YEE) column as the base year. The base year uses current, best-known information to update revenue trends and adjust the expenditure base for any ongoing service level changes. The Fund maintains adequate fund balance levels in line with Council Policy C-14 and debt covenants throughout the forecast period.

## Utility Fund Table 1, FY 2025 – FY 2029 Forecast Summary

FY 2025 - FY 2029 Summary <i>(in millions)</i>						
	FY 2024 YEE	FY 2025 F	FY 2026 F	FY 2027 F	FY 2028 F	FY 2029 F
Beginning Fund Balance	\$ 62.10	\$ 55.83	\$ 49.18	\$ 50.56	\$ 47.05	\$ 48.06
Revenues	\$ 123.98	\$ 128.72	\$ 133.16	\$ 137.58	\$ 142.14	\$ 147.16
Net Expenditures	\$ 130.26	\$ 135.36	\$ 131.78	\$ 141.09	\$ 141.12	\$ 147.90
<b>Ending Fund Balance</b>	<b>\$ 55.83</b>	<b>\$ 49.18</b>	<b>\$ 50.56</b>	<b>\$ 47.05</b>	<b>\$ 48.06</b>	<b>\$ 47.32</b>



Table 2 below 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 salaries for each bargaining unit.

## Utility Fund Table 2, FY 2025 – FY 2029 Forecast Summary

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

FY 2025 - FY 2029 Summary <i>(in millions)</i>						
	FY 24 YEE	FY 25 F	FY 26 F	FY 27 F	FY 28 F	FY 29 F
<b>Beginning Fund Balance</b>	<b>\$ 62.10</b>	<b>\$ 55.83</b>	<b>\$ 49.18</b>	<b>\$ 50.56</b>	<b>\$ 47.05</b>	<b>\$ 48.06</b>
<b>Revenues</b>	<b>\$ 123.98</b>	<b>\$ 128.72</b>	<b>\$ 133.16</b>	<b>\$ 137.58</b>	<b>\$ 142.14</b>	<b>\$ 147.16</b>
Total Expenditures	\$ 130.26	\$ 147.15	\$ 144.00	\$ 153.83	\$ 154.41	\$ 161.66
Unspent Contingency		(3.00)	(3.00)	(3.00)	(3.00)	(3.00)
8% Savings on M&S		(8.79)	(9.22)	(9.74)	(10.29)	(10.76)
<b>Net Expenditures</b>	<b>\$ 130.26</b>	<b>\$ 135.36</b>	<b>\$ 131.78</b>	<b>\$ 141.09</b>	<b>\$ 141.12</b>	<b>\$ 147.90</b>
Fiscal Year Impact	\$ (6.28)	\$ (6.64)	\$ 1.38	\$ (3.51)	\$ 1.01	\$ (0.74)
<b>Ending Fund Balance</b>	<b>\$ 55.83</b>	<b>\$ 49.18</b>	<b>\$ 50.56</b>	<b>\$ 47.05</b>	<b>\$ 48.06</b>	<b>\$ 47.32</b>

## Forecast Result – Revenue Detail

The revenue forecast is developed using conservative growth expectations for the Utility Fund. Approximately 86 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 July 2022 biennial City Council-adopted rate adjustment is reflected for calendar year 2023 and 2024 of five percent for water, wastewater, and stormwater. This forecast assumes a 3.5 percent revenue slope for each of the three utility systems for future years. Table 3 summarizes the five-year revenue forecast by revenue source.

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

	FY 2024 YEE	FY 2025 F	FY 2026 F	FY 2027 F	FY 2028 F	FY 2029 F
Water, Wastewater, Stormwater Rates	\$ 106.05	\$ 110.23	\$ 113.88	\$ 117.66	\$ 121.78	\$ 126.09
Franchise Fees	4.43	4.61	4.76	4.92	5.09	5.27
Other Fees	4.05	3.72	3.81	3.89	3.98	4.08
Permitted Development	1.44	1.34	1.38	1.42	1.46	1.51
Internal Charges	5.56	6.95	7.53	7.88	8.24	8.63
All Other Sources	2.45	1.87	1.80	1.81	1.57	1.59
<b>Total</b>	<b>\$ 123.98</b>	<b>\$ 128.72</b>	<b>\$ 133.16</b>	<b>\$ 137.58</b>	<b>\$ 142.14</b>	<b>\$ 147.16</b>

## Forecast Result – Expenditure Detail

The expenditure forecast is developed based on anticipated increases in the costs of labor, materials, capital, and generally follows 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.

The forecast includes funding for 6.83 new positions in FY 2025. The growing backlog of sewer repair issues and increasing inflow and infiltration rates prompt the need to have a second in-house dig repair crew in the sewer repair section. The 3.0 FTE team includes a Crew Leader, Maintenance Operator II, and Maintenance Operator I. A 1.0 FTE GIS Technician is programmed to assist with the data analysis in support of the CityWorks asset management system. Community growth over many years has resulted in an increase in the number of water meters read each month, therefore the Fund is adding 1.0 FTE Utility Field Representative. A 0.5 FTE dispatch position is added to assist with staffing levels supporting the 24-hour operation. Willow Lake is adding 0.33 FTE position to help haul biosolids during the summer months. A 1.0 Program Coordinator is needed in the Engineering division to assist with project reporting, bidding procurement, compliance for other city departments, and mandatory annual reporting related to the 2022 Salem Safety and Livability Bond.

Transfers are anticipated annually from the Utility Fund to the Capital Improvements Fund for utility construction projects. These on-going annual transfers allow for the Utility to plan and budget for large capital projects in a methodical way. Capital transfers range from \$24 to \$36 million in this forecast. Capital transfers increase to more than \$31 million per year 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 so that improvements are paid for by utility rates rather than borrowed funds.

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

	FY 2024 YEE	FY 2025 F	FY 2026 F	FY 2027 F	FY 2028 F	FY 2029 F
Personal Services	\$ 42.43	\$ 51.43	\$ 54.90	\$ 58.27	\$ 62.92	\$ 65.67
Materials and Services	44.02	46.22	47.52	49.97	51.37	53.84
Capital Outlay	1.52	2.59	1.18	1.36	1.17	0.98
Debt Service	17.34	14.77	13.28	4.54	4.28	4.28
Transfers	24.95	29.13	24.12	36.69	31.66	33.88
Contingency	-	3.00	3.00	3.00	3.00	3.00
<b>Total Expenditures</b>	<b>130.26</b>	<b>147.15</b>	<b>144.00</b>	<b>153.83</b>	<b>154.41</b>	<b>161.66</b>
Less:						
Unspent Contingency		(3.00)	(3.00)	(3.00)	(3.00)	(3.00)
Anticipated Savings		(8.79)	(9.22)	(9.74)	(10.29)	(10.76)
<b>Total Net Expenditures</b>	<b>\$ 130.26</b>	<b>\$ 135.36</b>	<b>\$ 131.78</b>	<b>\$ 141.09</b>	<b>\$ 141.12</b>	<b>\$ 147.90</b>

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

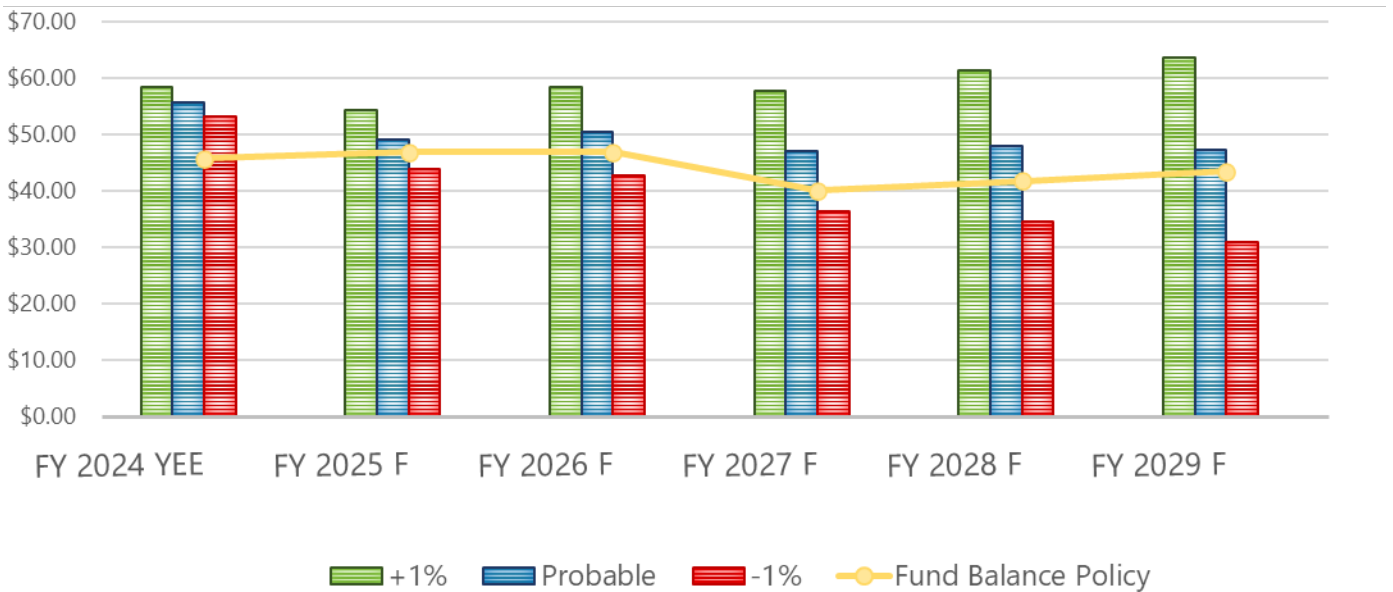
The graph below demonstrates variable results of the FY 2025 – FY 2029 forecast through the display of fund balance – the difference between resources and expenditures for each fiscal year. There are three scenarios presented.

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 one percent of revenue growth and an additional one percent of expenditure savings. For the Utility Fund, these changes represent increases to fund balance of \$2.5 million to \$3.0 million each year of the forecast.

Scenario 3, Lower Revenue / Higher Expenses. The red bar uses the forecast fund balance as the base for assuming one percent lower revenues and one percent higher expenditures for each fiscal year. By year-end FY 2029, this demonstration results in fund balance declining by \$24.9 million or 44.6 percent from the estimate for fiscal year-end 2024. The amount of working capital required by the Utility Fund balance policy is reduced in the final years of the forecast as debt is retired.

(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 Rates	LOW	86%

## Water and Wastewater Rate Revenue

Declining or stable water consumption is a national trend, and Salem is not unique in facing this rate challenge. Most of the costs to provide utility services to customers are related to the infrastructure and do not vary based on consumption. A smaller portion of costs are related to the volume of water produced or wastewater treated. When consumption declines and revenue is adversely impacted, water utilities must increase rates to maintain operations. Multiple weather factors influence water consumption such as average temperatures, humidity, and spread of precipitation in the year. In FY 2023 overall water consumption increased by 5.3 percent after declining by 2.9 percent in FY 2022. Commercial, irrigation, and public building consumption maintained an increase that began in FY 2022 as pandemic lockdown and safety measures ended with businesses and schools reopening and employees returning from remote to onsite work in office buildings.

## 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 2025 – FY 2029 Five-Year Forecast

FY 2025 - FY 2029 Summary (in millions)						
	FY 24 YEE	FY 25 F	FY 26 F	FY 27 F	FY 28 F	FY 29 F
<b>Beginning Fund Balance</b>	\$ 1.11	\$ 1.23	\$ 0.84	\$ 0.45	\$ 0.20	\$ 0.06
<b>Revenues</b>	\$ 2.41	\$ 2.42	\$ 2.55	\$ 2.68	\$ 2.86	\$ 3.05
Total Expenditures	\$ 2.28	\$ 3.26	\$ 3.37	\$ 3.37	\$ 3.46	\$ 3.54
Unspent Contingency	-	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)
10% Savings on M&S	-	(0.15)	(0.14)	(0.14)	(0.15)	(0.15)
<b>Net Expenditures</b>	\$ 2.28	\$ 2.82	\$ 2.93	\$ 2.93	\$ 3.01	\$ 3.09
Fiscal Year Impact	\$ 0.13	\$ (0.40)	\$ (0.38)	\$ (0.25)	\$ (0.15)	\$ (0.05)
<b>Ending Fund Balance</b>	\$ 1.23	\$ 0.84	\$ 0.45	\$ 0.20	\$ 0.06	\$ 0.01

The financial forecast for the Airport Fund includes continuation as a commercial airport with assumptions for inflationary factors to increase service costs and estimates for revenue growth. Increase in revenue is projected over the five-year period; however, expenditures outpace revenues in all years of the forecast. Continued support from the General Fund is projected over the five-year period. Without continued General Fund support, the fund balance will be fully expended in year two of the forecast, with fund balance ending at negative \$3.6M in the fifth year.

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

- Parking rental revenue at \$250K in the first year, slowly increasing five percent each year, assuming the current airline expands, or additional airlines are brought in.
- An annual transfer from the General Fund will subsidize operations based on the cost of five Full Time Equivalent (FTE) employees to provide commercial air service.

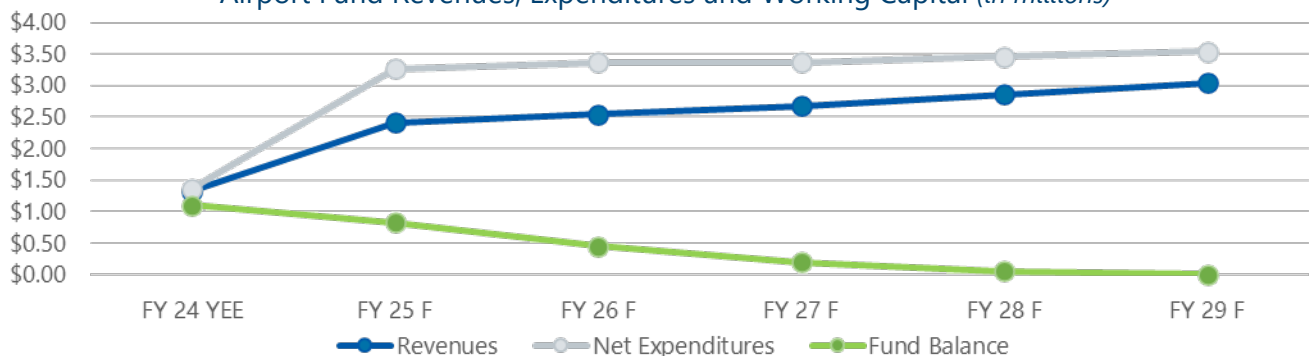
Expenditures in the forecast are consistent with the current year and are adjusted for inflation. A level of naturally occurring savings through unanticipated economies of 10 percent on materials and services is anticipated. Other expense assumptions include:

- Equipment replacement of a 20-year-old tractor and mower deck in FY 2025. Replacement of two service trucks that would occur during the forecast period will be postponed as funding capital improvement projects is a higher priority.
- Transfer to the Capital Improvements Fund of \$650K over the five-year period for airport terminal and airport Flight Deck building renovations. The project need is closer to \$1.2M.

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

Forecast Risk	Ranking
<i>Working Capital</i>	High
<i>Land/Building Rent</i>	High
<i>Parking Rent</i>	High
<i>Operational Expenses</i>	High
<i>Federal Grants Match</i>	High
<i>Capital Improvements</i>	High

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



# Building and Safety Fund FY 2025 – FY 2029 Five-Year Forecast

## FY 2025 - FY 2029 Summary *(in millions)*

	FY 24 YE Est	FY 25 F	FY 26 F	FY 27 F	FY 28 F	FY 29 F
<b>Beginning Fund Balance</b>	\$ 17.56	\$ 15.91	\$ 13.81	\$ 11.60	\$ 9.32	\$ 6.83
<b>Revenues</b>	\$ 5.53	\$ 5.88	\$ 6.15	\$ 6.42	\$ 6.69	\$ 6.96
Total Expenditures	\$ 7.19	\$ 8.50	\$ 8.91	\$ 9.26	\$ 9.74	\$ 10.01
Unspent Contingency		(0.30)	(0.30)	(0.30)	(0.30)	(0.30)
3.0% Savings		(0.23)	(0.24)	(0.25)	(0.27)	(0.28)
<b>Net Expenditures</b>	\$ 7.19	\$ 7.97	\$ 8.37	\$ 8.71	\$ 9.17	\$ 9.43
Fiscal Year Impact	\$ (1.66)	\$ (2.09)	\$ (2.22)	\$ (2.28)	\$ (2.48)	\$ (2.48)
<b>Ending Fund Balance</b>	\$ 15.91	\$ 13.81	\$ 11.60	\$ 9.32	\$ 6.83	\$ 4.36

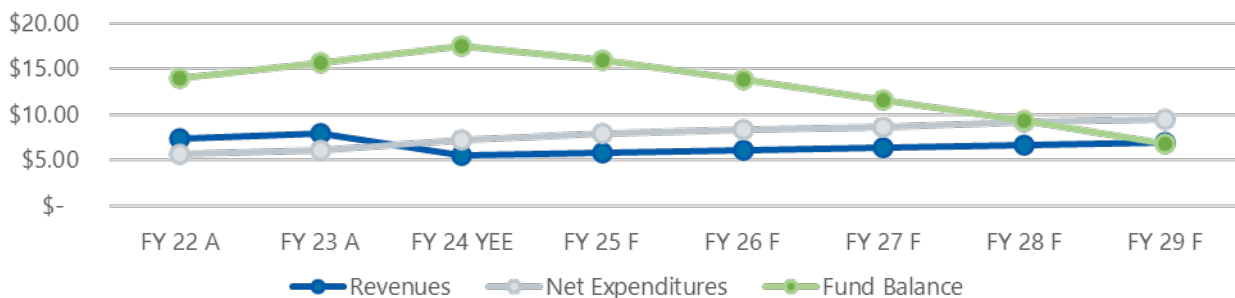
The City's annual financial forecast for the Building and Safety Fund provides for the continuation of current service levels with assumptions for inflationary factors to increase service costs and estimates for revenue. The forecast includes a continuation of funds transferred to the Equipment Replacement Reserve for replacement of the Building and Safety permitting software.

The forecast anticipates permitting revenues to be lower than budget for the current fiscal year in all major areas including building, electrical, mechanical, and plumbing permits. This is driven by a decrease in residential building permits corresponding with the increased home mortgage rates and thus home buying power. At the same time, commercial permits are also at lower values than at this same time last year. Although the forecast demonstrates a decrease of ending fund balance over the five-year period due to increased personnel costs and vehicle replacement transfers, the fund balance is still strong considering those costs and assumption of savings.

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

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

Building and Safety Fund Revenues, Expenditures and Working Capital



# Cultural Tourism (TOT) Fund FY 2025 – FY 2029 Five-Year Forecast

## FY 2025 - FY 2029 SUMMARY (in millions)

	FY 24 YE Est	FY 25 F	FY 26 F	FY 27 F	FY 28 F	FY 29 F
<b>Beginning Fund Balance</b>	\$ 4.45	\$ 4.24	\$ 4.14	\$ 3.80	\$ 3.34	\$ 2.90
<b>Revenues</b>	\$ 5.05	\$ 5.28	\$ 5.44	\$ 5.76	\$ 5.94	\$ 6.29
Total Expenditures	\$ 5.26	\$ 5.58	\$ 5.98	\$ 6.42	\$ 6.58	\$ 6.83
Unspent Contingency	-	(0.20)	(0.20)	(0.20)	(0.20)	(0.20)
<b>NET EXPENDITURES</b>	\$ 5.26	\$ 5.38	\$ 5.78	\$ 6.22	\$ 6.38	\$ 6.63
Fiscal Year Impact	\$ (0.21)	\$ (0.10)	\$ (0.34)	\$ (0.46)	\$ (0.44)	\$ (0.34)
<b>Ending Fund Balance</b>	\$ 4.24	\$ 4.14	\$ 3.80	\$ 3.34	\$ 2.90	\$ 2.56

The Cultural Tourism Fund is funded through a nine percent Transient Occupancy Tax (TOT) assessed on overnight stays in Salem at local hotels, motels, B&Bs, and third-party intermediaries like Airbnb. The revenue generated supports City owned historical sites, general tourism, and major tourist attractions, such as Riverfront Park, Bush Park, A.C. Gilbert’s Children’s Museum, Deepwood Museum and Gardens, the Bush House, and Riverfront Carousel. Approximately 50 percent of the revenues go to outside entities like Travel Salem, the Salem Convention Center, and local Cultural Heritage and Event organizers. Annual events funded through TOT grants include the World Beat Festival, the Englewood Forest Festival, Salem Art Fair, Magic at the Mill, and Santa at the Carousel.

Revenues have quickly rebounded to exceeded pre-pandemic levels. With increased revenues, the TOT Fund can meet more of the City’s ongoing needs supported by this program.

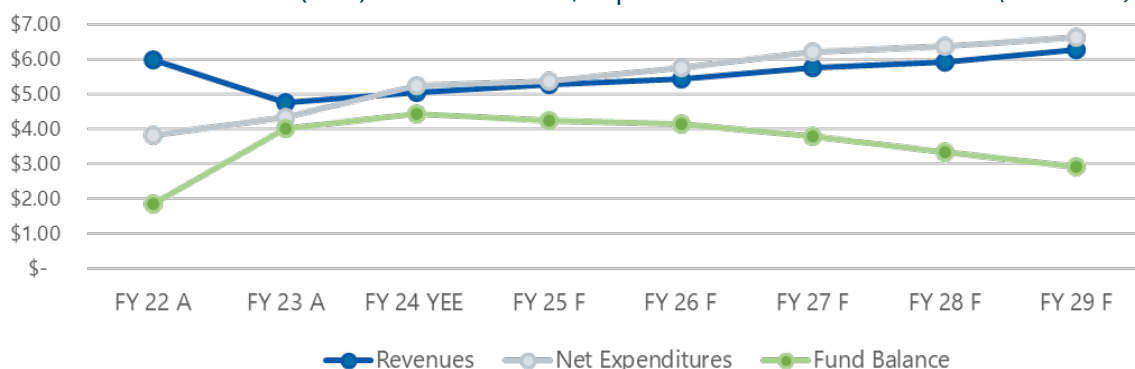
Painting and roof replacements for the five city-owned historic homes will need to be completed within the forecast period. These one-time budgeted expenses are included in the forecast in a structured effort to use excess fund balance to pay for these necessary projects. Long-term operational costs will be maintained within anticipated ongoing revenues.

The financial goal for the TOT Fund is to maintain operational expenditures within anticipated annual tax collection levels while balancing deferred maintenance needs and one-time project costs with a prudent reserve within the fund.

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)



# Doc Services, City Services Fund FY 2025 – FY 2029 Five-Year Forecast

FY 2025 - FY 2029 SUMMARY <i>(in millions)</i>						
	FY 24 YE Est	FY 25 F	FY 26 F	FY 27 F	FY 28 F	FY 29 F
<b>Beginning Fund Balance</b>	\$ 0.54	\$ 0.49	\$ 0.43	\$ 0.41	\$ 0.36	\$ 0.23
<b>Revenues</b>	\$ 1.38	\$ 1.40	\$ 1.42	\$ 1.44	\$ 1.47	\$ 1.48
Total Expenditures	\$ 1.44	\$ 1.47	\$ 1.46	\$ 1.50	\$ 1.61	\$ 1.66
2% Savings on M&S		(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
<b>NET EXPENDITURES</b>	\$ 1.44	\$ 1.45	\$ 1.45	\$ 1.49	\$ 1.60	\$ 1.64
Fiscal Year Impact	\$ (0.05)	\$ (0.06)	\$ (0.03)	\$ (0.05)	\$ (0.13)	\$ (0.16)
<b>Ending Fund Balance</b>	\$ 0.49	\$ 0.43	\$ 0.41	\$ 0.36	\$ 0.23	\$ 0.07

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

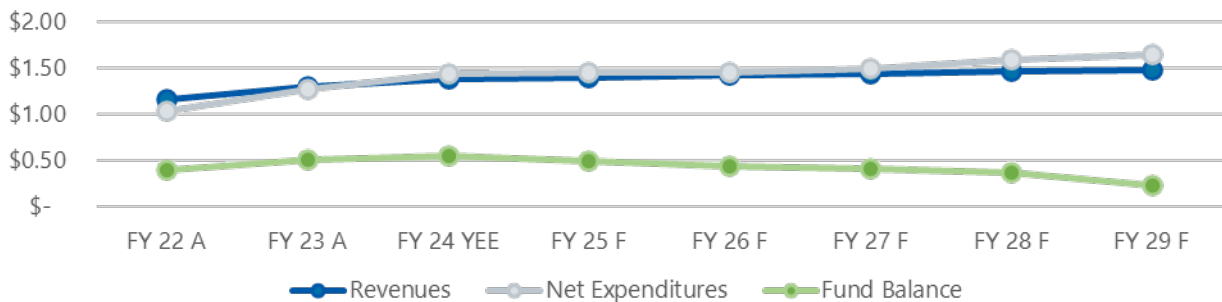
The later years of the forecast demonstrate a level of projected increase in revenues that does not keep pace with anticipated growth in expenditures – largely due to personnel costs and equipment. It also displays a level of naturally occurring savings from unanticipated economies. This level of savings is anticipated at two percent for materials and services.

Document Services recovers most of its costs through fees for service or working capital, with mail and courier services supported through a direct transfer from the General Fund. Due to the revenue projections in the General Fund, this contribution has been reduced in this forecast by three percent annually. The Fund ends the five-year forecast with a positive fund balance, despite the reduction in General Fund contribution and increased personnel expenses.

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

Forecast Risk	Ranking
<i>Working Capital</i>	High
<i>Internal Revenue</i>	Medium
<i>Other Labor Factors</i>	High
<i>Copier Replacement Strategy</i>	High

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



# Emergency Medical Services Fund FY 2025 – FY 2029 Five-Year Forecast

FY 2025 - FY 2029 Summary (in millions)						
	FY 24 YE Est	FY 25 F	FY 26 F	FY 27 F	FY 28 F	FY 29 F
<b>Beginning Fund Balance</b>	\$ 3.09	\$ 2.07	\$ 2.39	\$ 2.46	\$ 2.57	\$ 2.59
<b>Revenues</b>	\$ 5.59	\$ 6.89	\$ 1.69	\$ 1.77	\$ 1.85	\$ 1.93
Total Expenditures	\$ 6.60	\$ 6.75	\$ 1.70	\$ 1.74	\$ 1.91	\$ 2.08
Unspent Contingency		(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
3% Savings on M&S		(0.11)	(0.03)	(0.03)	(0.03)	(0.03)
<b>Net Expenditures</b>	\$ 6.60	\$ 6.58	\$ 1.62	\$ 1.66	\$ 1.82	\$ 1.99
Fiscal Year Impact	\$ (1.01)	\$ 0.31	\$ 0.07	\$ 0.11	\$ 0.03	\$ (0.06)
<b>Ending Fund Balance</b>	\$ 2.07	\$ 2.39	\$ 2.46	\$ 2.57	\$ 2.59	\$ 2.53

The yearly financial projection for the Emergency Services (EMS) Fund in the City ensures the maintenance of ongoing service standards. It incorporates assumptions for inflationary factors to account for rising service costs and includes projections for revenue growth.

The forecast continues the uptick in revenue attributed to increased transports through FY 2025, at which time system-wide EMS changes are planned to be initiated based on the results of an ongoing comprehensive EMS assessment started in FY 2024. Despite increased expenditures and the anticipated fund balance decline in FY 2024, fund balance is expected to subsequently rise in FY 2025. Both revenue and expenditures are expected to remain stable for the subsequent four years. To ensure the continuous and uninterrupted provision of ambulance transport services, the EMS Fund must maintain a fund balance sufficient for six months of operation. The targeted savings rate in the materials and services category is three percent.

In a comprehensive effort to assess EMS, the City has enlisted the expertise of an external EMS consultant. The examination encompasses various facets of the EMS system, including deployment strategies and potential future transportation models. The overarching objective of this ongoing assessment is to leverage the sophisticated analytical capabilities provided by the consultant to identify successful aspects of the City’s EMS procedures and areas where improvement is possible. The City aims to enhance community care by making informed, data-driven decisions that optimize resource allocation, reduce hospital wait times, elevate treatment quality, and minimize response times.

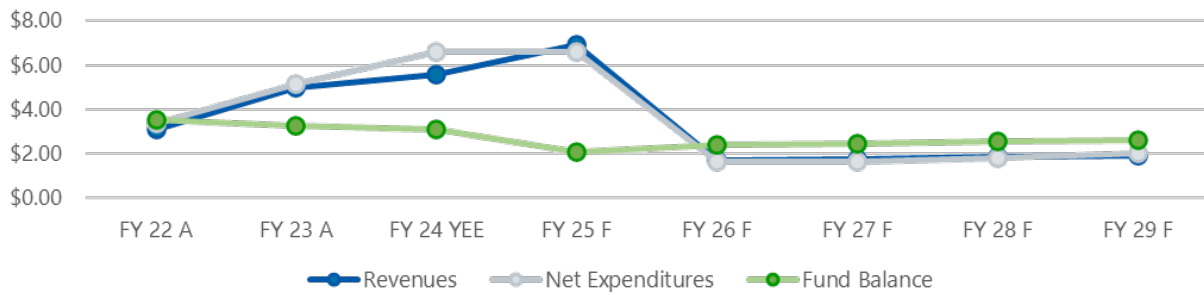
Forecast Risk factors are evaluated on the degree of impact to continued service delivery and fund fiscal health.

### Forecast Risk Ranking

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

In alignment with our commitment to meeting the community's needs, the City is devoted to integrating cutting-edge technology. This commitment ensures a continuous improvement in emergency medical services, reflecting dedication to providing optimal care. This projection includes an annual transfer to the capital reserve in accordance with City Council Policy C-12 (Fund Balance / Reserve Policy for Emergency Services Fund). The objective is to establish a sufficient reserve for planned expenditures, such as the procurement of charting computers in FY 2026, Auto Pulse batteries and medical kits in FY 2027, Zoll batteries and chargers in FY 2028, and new CPR Auto Pulse devices in FY 2029. These capital investments and ongoing expenses will continue to influence the EMS Fund's financial position.

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



# Fleet, City Services Fund FY 2025 – FY 2029 Five-Year Forecast

## FY 2025 - FY 2029 SUMMARY (in millions)

	FY 24 YE Est	FY 25 F	FY 26 F	FY 27 F	FY 28 F	FY 29 F
<b>Beginning Fund Balance</b>	\$ 1.42	\$ 0.94	\$ 0.75	\$ 0.61	\$ 0.56	\$ 0.72
<b>Revenues</b>	\$ 5.22	\$ 5.59	\$ 5.94	\$ 6.30	\$ 6.41	\$ 6.61
Total Expenditures	\$ 5.69	\$ 5.99	\$ 6.30	\$ 6.58	\$ 6.48	\$ 6.74
3.5% General Savings		(0.21)	(0.22)	(0.23)	(0.23)	(0.24)
<b>Net Expenditures</b>	\$ 5.69	\$ 5.78	\$ 6.08	\$ 6.35	\$ 6.25	\$ 6.50
Fiscal Year Impact	\$ (0.47)	\$ (0.19)	\$ (0.14)	\$ (0.04)	\$ 0.16	\$ 0.11
<b>Ending Fund Balance</b>	\$ 0.94	\$ 0.75	\$ 0.61	\$ 0.56	\$ 0.72	\$ 0.83

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 period demonstrates a level of naturally occurring savings. This level of savings is anticipated at 3.5 percent of expenses.

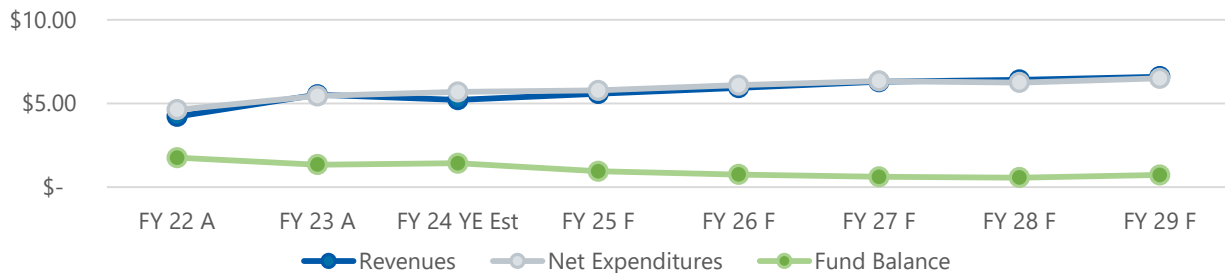
The reduction in fund balance reflects an effort to reduce the fund balance over the five-year period by replacing needed capital equipment and keeping rates low. The balance at the end of the forecast period is estimated just over 28% of fixed costs for Fiscal Year 2029.

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

### Forecast Risk Ranking

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

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



# Radio Comm., City Services Fund FY 2025 – FY 2029 Five-Year Forecast

FY 2025 - FY 2029 Summary (in millions)						
	FY 24 YE Est	FY 25 F	FY 26 F	FY 27 F	FY 28 F	FY 29 F
<b>Working Capital</b>	\$ 1.40	\$ 1.08	\$ 1.12	\$ 1.23	\$ 1.21	\$ 1.20
<b>Revenues</b>	\$ 1.53	\$ 1.69	\$ 1.74	\$ 1.82	\$ 1.91	\$ 2.00
TOTAL EXPENDITURES	\$ 1.85	\$ 1.92	\$ 1.88	\$ 2.09	\$ 2.17	\$ 2.23
5-12% Savings on PS		(0.07)	(0.06)	(0.05)	(0.03)	(0.04)
10% Savings on M&S		(0.13)	(0.12)	(0.13)	(0.14)	(0.14)
70% Savings on Capital		(0.07)	(0.07)	(0.07)	(0.08)	(0.08)
<b>NET EXPENDITURES</b>	\$ 1.85	\$ 1.66	\$ 1.63	\$ 1.83	\$ 1.92	\$ 1.97
Fiscal Year Impact	\$ (0.32)	\$ 0.03	\$ 0.11	\$ (0.02)	\$ (0.02)	\$ 0.03
<b>ENDING WORKING CAPITAL</b>	\$ 1.08	\$ 1.12	\$ 1.23	\$ 1.21	\$ 1.20	\$ 1.22

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.

Agency rates are set to meet operational needs providing a stable revenue stream. The forecast 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 shown in personal services reflects the planned effort to explore opportunities to build a viable applicant pool by offering internships or creating an entry-level position. Anticipated savings decrease during the forecast period as the position advances.

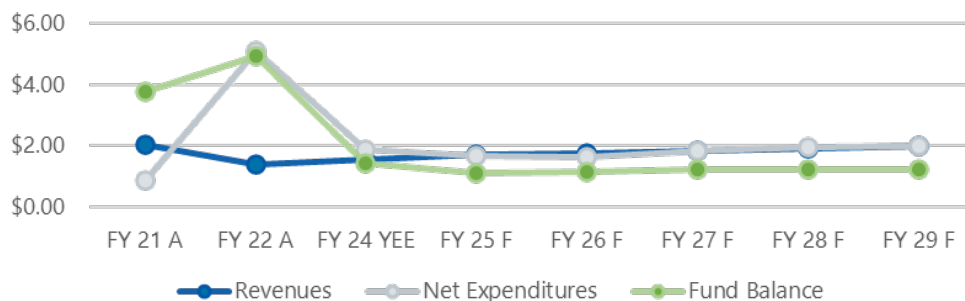
General Fund departments account for approximately 70 percent of participating agency rate revenue. Over the next few years radio rates will be increasing to fund improvements to the radio system and the future replacement of necessary equipment.

Departmental replacement reserves were moved to the Equipment Reserve Fund in FY 2021, accounting for the drop in working capital and expenditures between FY 2022 and FY 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	Medium
Operational Expenses	Low/Medium
Capital Equipment Needs	High

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





# Self Insurance Benefits Fund FY 2025 – FY 2029 Five-Year Forecast

## FY 2025 - FY 2029 Summary *(in millions)*

	FY 24 YE Est	FY 25 F	FY 26 F	FY 27 F	FY 28 F	FY 29 F
<b>Beginning Fund Balance</b>	\$ 8.64	\$ 6.71	\$ 5.08	\$ 4.64	\$ 5.32	\$ 7.04
<b>Revenues</b>	\$ 29.86	\$ 32.66	\$ 35.35	\$ 38.06	\$ 40.77	\$ 43.72
Total Expenditures	\$ 31.78	\$ 34.28	\$ 35.80	\$ 37.38	\$ 39.05	\$ 40.80
<b>Net Expenditures</b>	\$ 31.78	\$ 34.28	\$ 35.80	\$ 37.38	\$ 39.05	\$ 40.80
Fiscal Year Impact	\$ (1.92)	\$ (1.63)	\$ (0.45)	\$ 0.69	\$ 1.72	\$ 2.92
<b>Ending Fund Balance</b>	\$ 6.71	\$ 5.08	\$ 4.64	\$ 5.32	\$ 7.04	\$ 9.96

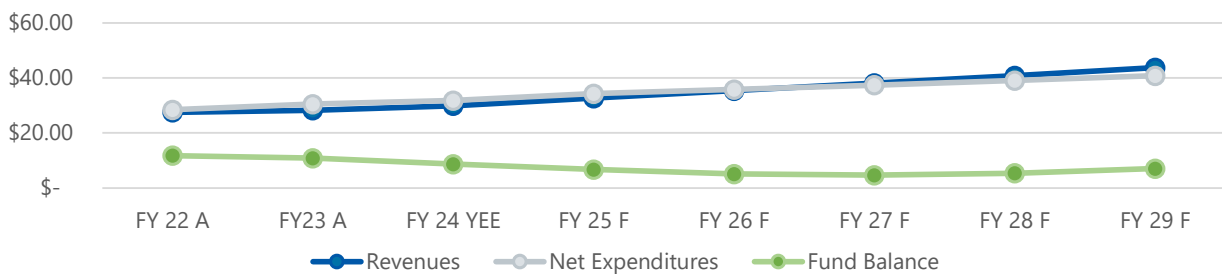
The City's annual financial forecast for the Self Insurance Benefits Fund provides continuation of current service levels with assumptions for inflationary factors to increase service costs and estimates for revenue growth. This forecast considers the City's significant increase in claims activity in Fiscal Year 2023 and assumes a normalization of that activity in future years.

The forecast demonstrates a level of projected increase in revenues at a rate greater than the anticipated growth in expenditures. Additional premium rate increases are demonstrated to raise the reserve levels by the end of the forecast period. If claims grow greater than anticipated, fund balance will be reduced.

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 Revenue	Medium
Health Care Legislation	High
Changing Demographics	High

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



# Self Insurance Risk Fund FY 2025 – FY 2029 Five-Year Forecast

## FY 2025 - FY 2029 SUMMARY (in millions)

	FY 24 YE Est	FY 25 F	FY 26 F	FY 27 F	FY 28 F	FY 29 F
<b>Beginning Fund Balance</b>	\$ 5.09	\$ 3.01	\$ 3.55	\$ 4.31	\$ 5.32	\$ 6.61
<b>Revenues</b>	\$ 5.76	\$ 8.33	\$ 9.25	\$ 10.27	\$ 11.42	\$ 12.70
Total Expenditures	\$ 7.84	\$ 8.36	\$ 9.10	\$ 9.92	\$ 10.82	\$ 11.84
Savings (3.5%)	-	(0.57)	(0.61)	(0.65)	(0.69)	(0.74)
<b>NET EXPENDITURES</b>	\$ 7.84	\$ 7.79	\$ 8.49	\$ 9.27	\$ 10.13	\$ 11.10
Fiscal Year Impact	\$ (2.08)	\$ 0.54	\$ 0.76	\$ 1.01	\$ 1.29	\$ 1.60
<b>Ending Fund Balance</b>	\$ 3.01	\$ 3.55	\$ 4.31	\$ 5.32	\$ 6.61	\$ 8.21

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

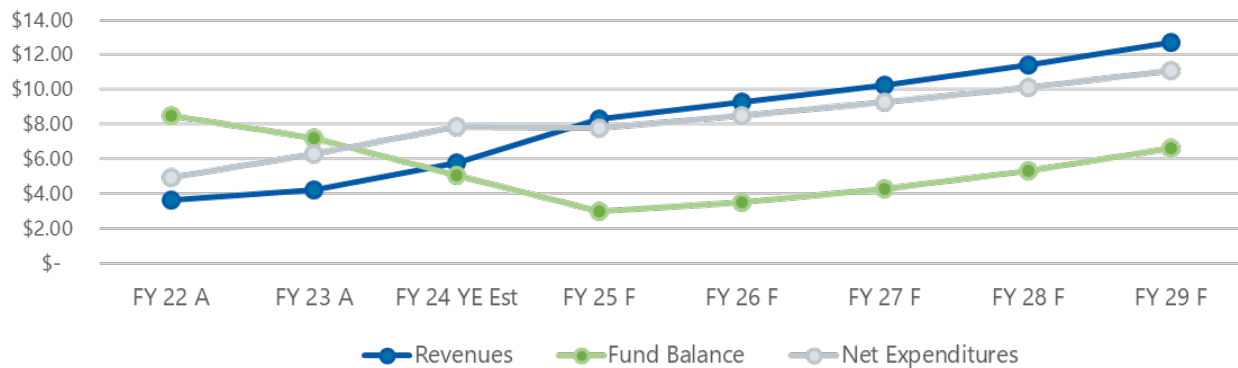
The forecast demonstrates a steady increase in ending fund balance over the five-year period to keep the Fund within actuarial guidelines.

Claims experience fluctuates annually and was less favorable than projected last year and is anticipated to remain at that level. Recent Liability Insurance premiums and claims activity have seen unprecedented growth. The forecast does not include possible negative impacts of pending litigation.

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

Forecast Risk	Ranking
Working Capital	Medium
Internal Revenue	Low
Liability Claims	High

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



# Streetlight Fund FY 2025 – FY 2029 Five-Year Forecast

## FY 2025 - FY 2029 Summary (in millions)

	FY 24 YEE	FY 25 F	FY 26 F	FY 27 F	FY 28 F	FY 29 F
<b>Beginning Fund Balance</b>	\$ 1.34	\$ 1.08	\$ 0.91	\$ 0.67	\$ 0.38	\$ 0.32
<b>Revenues</b>	\$ 2.01	\$ 2.01	\$ 2.02	\$ 2.02	\$ 2.13	\$ 2.13
Total Expenditures	\$ 2.27	\$ 2.43	\$ 2.50	\$ 2.56	\$ 2.44	\$ 2.52
Unspent Contingency		(0.20)	(0.20)	(0.20)	(0.20)	(0.20)
3.0% Savings on M&S		(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
<b>Net Expenditures</b>	\$ 2.27	\$ 2.19	\$ 2.26	\$ 2.31	\$ 2.19	\$ 2.27
Fiscal Year Impact	\$ (0.26)	\$ (0.17)	\$ (0.24)	\$ (0.29)	\$ (0.06)	\$ (0.13)
<b>Ending Fund Balance</b>	\$ 1.08	\$ 0.91	\$ 0.67	\$ 0.38	\$ 0.32	\$ 0.18

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

- Five percent increase in Streetlight Fee rates in the fourth year.
- Expenditures are consistent with the current year and adjusted for inflation.
- An eight percent increase is anticipated for electricity costs in FY 2025 followed by smaller adjustments.
- A three percent annual increase is anticipated in general expenditures resulting from system expansion.
- Continued support for electricity and maintenance expenses for all poles in the rights-of-way and parks.
- Transfer to Capital Improvements Fund for new pole installation projects at \$500,000 throughout the forecast.

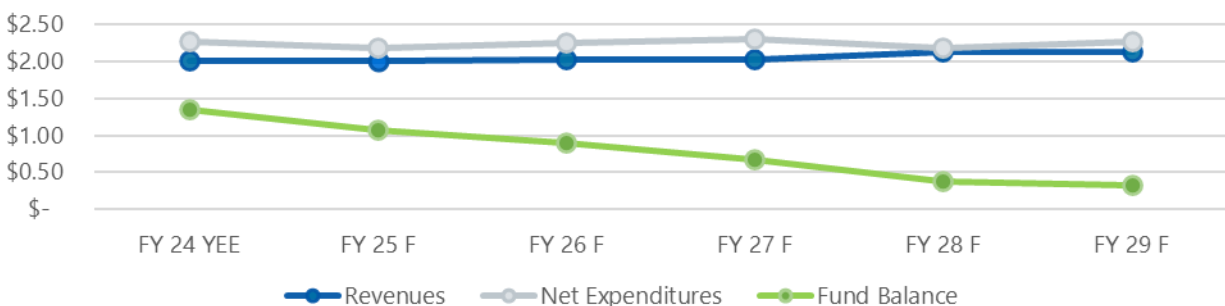
Forecast Risk factors are evaluated on the degree of impact to continued service delivery and fund fiscal health.

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

### Future Outlook:

The life expectancy for the current set of LED lamps in the City's streetlight system is approximately 100,000 hours or 24 years of operation.<sup>1</sup> The intention is to wait until the City's LED lamps are approaching end-of-life and then implement a major capital improvement project to again relamp the entire system. This will provide for systemwide consistency and equivalent technology for all the City's LED lamps. Based on the previous full system relamping completed in FY 2018, a complete system relamping project is anticipated by FY 2042.

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



<sup>1</sup> End-of-live for an LED lamp is defined as when the lamp is producing 70% of its original lumen output.

# WVCC Fund FY 2025 – FY 2029 Five-Year Forecast

FY 2025 - FY 2029 Summary <i>(in millions)</i>						
	FY24	FY25	FY26	FY27	FY28	FY29
<b>Beginning Fund Balance</b>	\$ 2.33	\$ 1.73	\$ 1.81	\$ 1.73	\$ 1.68	\$ 1.48
<b>Revenues</b>	\$ 14.53	\$ 15.22	\$ 16.01	\$ 16.83	\$ 17.69	\$ 18.60
Total Expenditures	\$ 15.13	\$ 16.40	\$ 17.41	\$ 18.23	\$ 19.30	\$ 19.80
Unspent Contingency		(0.50)	(0.50)	(0.50)	(0.50)	(0.50)
5% Savings		(0.76)	(0.81)	(0.85)	(0.91)	(0.93)
<b>Net Expenditures</b>	\$ 15.13	\$ 15.14	\$ 16.09	\$ 16.87	\$ 17.89	\$ 18.37
Fiscal Year Impact	\$ (0.60)	\$ 0.09	\$ (0.09)	\$ (0.05)	\$ (0.20)	\$ 0.23
<b>Ending Fund Balance</b>	\$ 1.73	\$ 1.81	\$ 1.73	\$ 1.68	\$ 1.48	\$ 1.71

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 that reflect increasing service costs and estimates for revenue growth.

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

The WVCC Fund is required, per WVCC Board Fund policy, 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.

WVCC currently provides 9-1-1 dispatch services to 29 user agencies, including the City of Salem (Police and Fire). Revenue collected is directly related to the level of service WVCC provides. The City of Salem is the largest user agency and provides approximately 43 percent of all user agency fees collected. This fee is primarily paid out of the General Fund. The remaining 57 percent is contributed by other area counties, municipalities, and emergency services districts.

WVCC has an active Advisory Board and Budget Committee that provide all user agencies the opportunity to weigh in on the budget and rate setting processes. With the on-going financial

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

<i>Forecast Risk</i>	<i>Ranking</i>
<i>Working Capital</i>	High
<i>Member Agency Rates</i>	High
<i>Overtime Expense</i>	Medium
<i>Salary Expense</i>	Medium
<i>Capital Infrastructure &amp; Technology Needs</i>	High

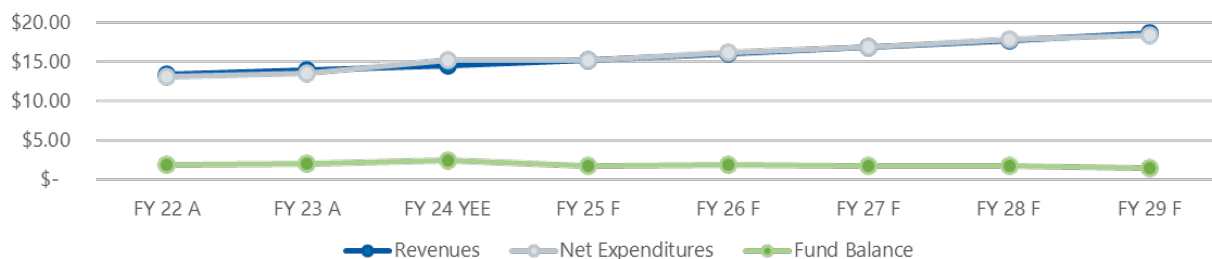
structural imbalance faced by all local jurisdictions, the need for stable rate increases must be balanced with the need for additional staffing and capital needs. WVCC has identified the need for additional staffing and increased contribution for future capital needs as described below.

Staff recently completed an analysis based on industry best practices that identified the need for 12 additional full time equivalent employees. This analysis uses the Association of Public-Safety Communications (APCO) RETAINS staffing model tool. National standards for call answer times, current service level needs, continued use of Salem’s second channel for 24x7 coverage, and the need for additional positions to cover contractual and required protected leave were considered in the analysis. Overtime expense will continue to be at a high risk of increasing until call-taking and dispatch operations are sufficiently staffed as identified.

An annual transfer of \$1 million, an increase of \$375,000 over current year, is needed to adequately fund future capital expenditures, including the future upgrade or replacement of the computer-aided dispatch (CAD) system, replacement of CAD servers, replacement of the uninterrupted power supply, and a possible dispatch center relocation.

This forecast maintains current service levels through the end of the five-year forecast which is sustained by a 5.2% annual increase in member agency rates. Though additional needs have been identified, WVCC is not proposing rate increases to address these needs at this time. To address the identified staffing and capital needs, annual rate increases of greater than 5.2% and the support of member agencies to prioritize increased funding will be required.

WVCC Revenues, Expenditures and Working Capital (in millions)





## Summary of Findings

### National Summary

After a steady increase in inflation, national efforts by the Federal Reserve to combat this by increasing interest rates has had its desired effect. Seasonally adjusted inflation from the Bureau of Labor Statistics for all items between October 2021 and October 2022 was 7.76 percent. Between October 2022 and October 2023, this factor decreased to 3.23 percent.

Unemployment and economic activity rates remain relatively healthy. National productivity grew by 4.7 percent growth in the third quarter compared to last year. The national unemployment rate has also remained low at 3.9 percent by the end of October 2023, better than pre-pandemic levels.

National Gross Domestic Product (GDP) has increased by 6.2 percent between Q3 2023 and Q2 2022. Reuters reports that the Federal Reserve will likely not continue to raise interest rates the rest of the year and may even consider a cut to borrowing costs in early 2024. Interest rates at their late October meeting stayed level at between 5.25 and 5.50 percent.

The International Monetary Fund released the World Economic Outlook in October 2023 which the US Department of Treasury applied to the US economy and its position in the global economy.

The following trends were identified as strong samples of economic health:

1. **GDP.** The national GDP growth in the past year has increased and is on track to rise above pre-pandemic levels. The US is the fastest growing large, advanced economy to be rebounding to pre-pandemic levels at only 1.4 percent lower than if pre-pandemic trends continued.
2. **Labor Market.** After a high of 14.7 percent seasonally adjustment unemployment for the US in April 2020, the unemployment today sits at a healthy 3.9 percent. This indicates a consistent work base, albeit tight labor markets for employers.
3. **Inflation.** Rapid interest rate hikes have had their desired impact with a more manageable rate of just over 3 percent.

The IMF and the US Department of Treasury have indicated that the likelihood of a “hard landing” for a recession post COVID has subsided. The Commerce Department reports that the US economy grew in the third quarter by 4.9 percent, more than double the previous quarter. These positive indicators demonstrate an encouraging trend as we enter the new year. Looming national debt and the 2024 presidential election, as history indicates, may lead to more market volatility later in the year.

## Oregon Summary

The Oregon economy has continued to rebound since 2020 and the COVID-19 pandemic in March of 2020. Unemployment has steadily fallen from a high of 13.3% in April 2020 to 3.6% in October 2023. This is lower than the 4.1% unemployment rate as of this same time last year. Although steady or lowering in the last several months, aspects of the national story including high mortgage rates and inflation are also impacting Oregon. Oregon tax-payers will receive a record breaking kicker from 2022 activity of \$5.6 billion.

The labor market in Oregon, as anyone who is involved with hiring will tell you, is extremely tight. Between November 2022 and November 2023, Oregon had a reduction in unemployment of 1.2 percent. Neighbors Washington and California had a reduction of 0.6 percent and an increase of 0.8 percent respectively. What this means is more people of working age are employed than they were a year ago. While employment growth is generally considered a positive economic indicator, continuous high growth is unsustainable. The aging population of the United States and the retirement of the large Baby Boomer generation, and the filling of those vacated positions by smaller, younger generations is a concern of economists and actuaries alike. Between 2020 and 2022, the US Census Bureau reports a 0.11 percent decrease in births in the State, which is 37<sup>th</sup> in the nation for this same time period. The nation as a whole increased only by 0.54 percent during this same time frame. Although this is not a problem unique to Oregon, or even the nation, as global population estimates continue to decline, it will be a factor in the next several decades as the economy switches from a job market with more workers than jobs to that of a market with more jobs than workers.

Inflation continues to remain high across the nation, including in Oregon. The United States Congress Joint Economic Committee reports by state the amount of monthly household inflation costs relative to January 2021. As of October 2023, they report Oregon household expenses have risen by \$842 while the US as a whole has risen by \$953. Actions by the Federal Reserve throughout the last 18 – 24 months to reduce inflation by increasing the cost of borrowing through interest rate setting have impacted inflation slightly. The Federal Reserve has kept rates steady most recently. The Bureau of Labor Statistics reports that the Western Region (which includes Oregon) experienced a year-over-year inflation rate increase of 3.29 percent between November 2022 and November 2023, down from 7.1 percent from November 2021 and November 2022.

## Salem Summary

Similar to the national and state-wide narrative, Salem has been rebounding from the COVID-19 pandemic. As of October 2023, the seasonally adjusted unemployment rate has dropped to 3.4 percent. Latest data released in November for October for the Salem Metropolitan Statistical Area (MSA) shows that private job sectors with the largest growth in the past year have been private education and health services along with government, and professional and business services. Wages are also increasing in the region.

Local development has increased in the last fiscal year compared to the prior year. Between fiscal year 2022 and 2023, total permits issued by the City's Building and Safety division have increased by more than 10.12 percent. Largest growth of permit issuance types include, alteration and additions, demolition, multifamily and commercial.

Tourism has also rebounded since the beginning of the COVID-19 pandemic. Tourism Occupancy Tax (TOT) collections for fiscal year 2022 totaled approximately \$4.3 million, while unaudited collections for fiscal year 2023 came in at \$4.6 million. The City's tax rate is nine



percent for overnight stays within city limits, implying a spending of more than \$51.8 million directly in Salem by visitors. The year-over-year increase is 7.91 percent and is indicative of a return to normal travel and activities post-COVID.

### Forecast Summary

Below is the Oregon Office of Economic Analysis (OEA) employment growth forecast as the principal driver of the Salem job forecast. Latest data shows Salem MSA growth data increasing in recent years at a faster rate than the state overall. **Actual percentage changes realized are also sensitive to employment data revisions.**

	<b>OR (OEA)*</b>	<b>Salem MSA*</b>
2021	3.98%	3.92%
2022	2.99%	3.14%
2023	2.26%	2.70%

\*Refers to the official state annual employment data tables (dated October 2023).

### Uncertainty/Risks

As mentioned previously, economists at the federal and state level are considered about the ongoing retirement of the Baby Boomer generation and declining birth rates. As mentioned in the Oregon Economic and Revenue Forecast released in November, 2023, this generational shift will lead to less wages being earned, less being spent and less tax revenue from all levels of government. This trend will continue well into the next decade.

Inflation continues to be a concern but has significantly decreased from last October's year-over-year 7.92 percent all items average to 3.07 percent. This is a much more comfortable inflation rate and indicative of work done at national levels.

### Local Revenue Implications

Unlike the 2008 recession, the property values of homes (real market and assessed) have continued to grow through the COVID-19 pandemic. Growth in assessed value for the past three completed fiscal years has averaged 4.36%. 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 0.85 percent and corresponding property tax revenue growth totaled 0.18 percent. Current year property tax revenue growth in the past three completed fiscal years has averaged 4.30 percent.

Although it is promising that property tax revenue growth has remained high, expenditures in the City's general fund are growing at an even higher rate. City work on services not previously undertaken by the City such as sheltering and homelessness have put potential pressure on the General Fund as well as rising PERS rates, compensation market adjustments, employment contracts, and medical benefits. Work on new general fund revenue initiatives is an important next step for staff, the community, and City Council to address in order to continue providing essential city services in addition to the new programs introduced in the last few years such as sheltering and social service initiatives.



# 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, 2021), the PERS Board provided the City with employer contribution rates for July 1, 2023 through June 30, 2025. The rates, which are used in the forecast, appear in Table 1 below. Rates for the two-year periods beginning July 1, 2025 and July 1, 2027 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 2025	FY 2026	FY 2027	FY 2028	FY 2029
Tier 1 and 2	25.07%	27.22%	27.22%	33.41%	33.41%
OPSRP General Service	18.31%	20.46%	20.46%	26.65%	26.65%
OPSRP Fire and Police	23.10%	25.25%	25.25%	31.44%	31.44%

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 11.0 percent the first year and Kaiser medical premiums by 20.0 percent. See Appendix A for the detailed assumption table.

#### Risk Factor Ranking – HIGH

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. However, national trends and recent claim activity indicate an increase in each of the years of the forecast.

### 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 5.0 percent wage increase is used in the first year with 3.0 percent beyond that.

#### Risk Factor Ranking – HIGH

Negotiations are underway with two labor unions – SPEU and AFSCME– during the current fiscal year. The risks associated with increased costs from future labor negotiations beyond FY 2024 are difficult to measure at this time.

### Inflation

The Bureau of Labor Statistics reported for November 2023 that the Consumer Price Index, Western Region, CPI-U increased by 3.29 percent from November 2022. 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	11.00%
Health Benefit Costs	HIGH	8.50%
Labor Agreements / Salary Costs	HIGH	34.40%
Inflation	MEDIUM	Varies

Comparative data for *PERS Employer Rate Increases* include the costs of PERS employer, PERS pickup (6 percent of salary), the IAP contribution for IAFF employees 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 2025 forecast year. The operations budget includes personal services, materials and services, capital outlay, debt service, contingencies, and transfers.



### Expenditure Assumptions Table

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
<b>Wage Projections</b>	% Increase	% Increase	% Increase	% Increase	% Increase
Market adjustment – AFSCME*	5.00%	3.00%	3.00%	3.00%	3.00%
Market adjustment – Attorneys (SCABU)	3.00%	3.00%	3.00%	3.00%	3.00%
Market adjustment – Police (SPEU)*	5.00%	3.00%	3.00%	3.00%	3.00%
Market adjustment – Battalion Chiefs (IAFF)	0.00%/3.00%	3.00%/3.00%	3.00%	3.00%	3.00%
Market adjustment – Fire (IAFF)**	0.00%/3.00%	3.00%/3.00%	3.00%	3.00%	3.00%
Market adjustment – Non-represented	3.00%	3.00%	3.00%	3.00%	3.00%
Market adjustment – PCEA (9-1-1)	3.00%	3.00%	3.00%	3.00%	3.00%

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

\*In final year of union contract.

\*\* The Deputy Fire Marshall classification will receive 3.00% increase every six months, including July 2024.

Other Personal Services Costs	Annual Percentage Change in Benefits Projections				
PPO Medical (effective Dec 1, each fiscal year)	11.00%	10.00%	10.00%	8.00%	8.00%
Kaiser Medical (effective Dec 1, each fiscal year)	20.00%	8.00%	8.00%	8.00%	8.00%
Dental (effective Dec 1, each fiscal year)	0.00%	0.00%	0.00%	0.00%	0.00%
Vision (effective Dec 1, each fiscal year)	0.00%	0.00%	0.00%	0.00%	0.00%
Workers' compensation	Varies by department, overall 17.98%	7.00%	7.00%	7.00%	7.00%
Life insurance (effective Dec 1, each fiscal year)	0.00%	0.00%	0.00%	0.00%	0.00%
Disability insurance (effective Dec 1, each fiscal year)	0.00%	0.00%	0.00%	0.00%	0.00%
	PERS Rates on Eligible Earnings				
Retirement-Employer – Tier 1 and 2	25.07%	27.22%	27.22%	33.41%	33.41%
Retirement-Employer – OPSRP General	18.31%	20.46%	20.46%	26.65%	26.65%
Retirement-Employer – OPSRP Police and Fire	23.10%	25.25%	25.25%	31.44%	31.44%

\*The general inflation factor is based on the rounded November 2022 to November 2023 change from

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Materials and Services	% Increase	% Increase	% Increase	% Increase	% Increase
General inflation factor*	3.00%	2.50%	2.00%	2.00%	2.00%
Gasoline / Diesel	0.00%	0.00%	0.00%	0.00%	0.00%
Internal charges	Varies by department, overall 5.00%	6.54%	4.83%	6.45%	2.82%
Liability insurance	Varies by department, overall 62.92%	13.00 %	13.00 %	13.00 %	13.00 %
Motor pool (Fleet Services)	Varies by department, overall 5.14%	5.50 %	7.00%	-1.60 %	0.80%
Radio communications	Varies by department, 4.00%	4.00%	4.00%	4.00%	4.00%
9-1-1 services**	5.20%	5.20%	5.20%	5.20%	5.20%

the Bureau of Labor Statistics CPI-West Region released December 12, 2023.

\*\*Increases are estimated based on current staffing and service delivery. These increases are re-evaluated annually for the budget process. Additional information will be forthcoming at a future meeting of the Finance Committee.

## General Fund Revenues Assumptions Table



	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenue	%	%	%	%	%
	Increase	Increase	Increase	Increase	Increase
Current year property tax	4.10 %	4.10 %	4.10 %	4.10 %	4.10 %
Electric franchise	10.00 %	8.00 %	8.00 %	8.00 %	8.00 %
Telecommunications franchise	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Natural gas franchise <sup>(1)</sup>	-4.70 %	0.00 %	0.00 %	0.00 %	0.00 %
Cable franchise	-1.00 %	-1.00 %	-1.00 %	-1.00 %	-1.00 %
Refuse (solid waste) franchise	4.20 %	4.30 %	4.50 %	3.00 %	3.00 %
Fees for service	2.80 %	2.50 %	2.00 %	2.00 %	2.10 %
Planning, site, dwelling review fees	3.00 %	2.50 %	2.00 %	2.00 %	2.00 %
Other fees	2.80 %	1.90 %	1.50 %	1.50 %	1.50 %
Licenses, permits	2.10 %	2.80 %	2.40 %	2.40 %	2.50 %
Rents (parking, building) <sup>(2)</sup>	7.40 %	-4.50 %	8.70 %	-4.60 %	8.80 %
Indirect cost allocation (ICAP)	6.10 %	6.50 %	4.80 %	6.50 %	2.80 %
Other internal charges	2.90 %	6.50 %	4.80 %	7.60 %	2.80 %
State shared revenue	3.50 %	3.50 %	3.60 %	3.70 %	3.70 %
Other agencies	1.50 %	1.50 %	1.50 %	1.50 %	1.50 %
Grants <sup>(3)</sup>	-80.90 %	0.00 %	0.00 %	0.00 %	0.00 %
Fines, penalties	2.80 %	6.90 %	2.60 %	2.60 %	2.60 %

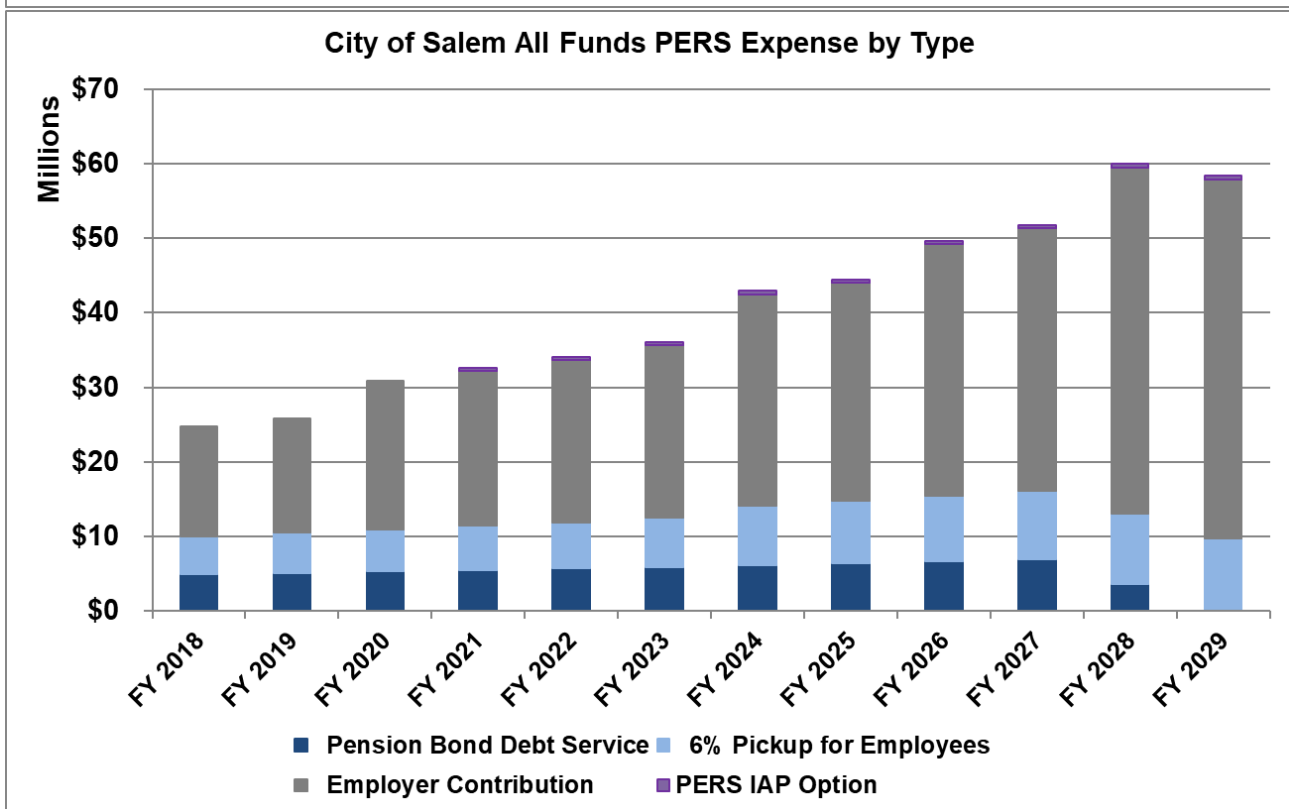
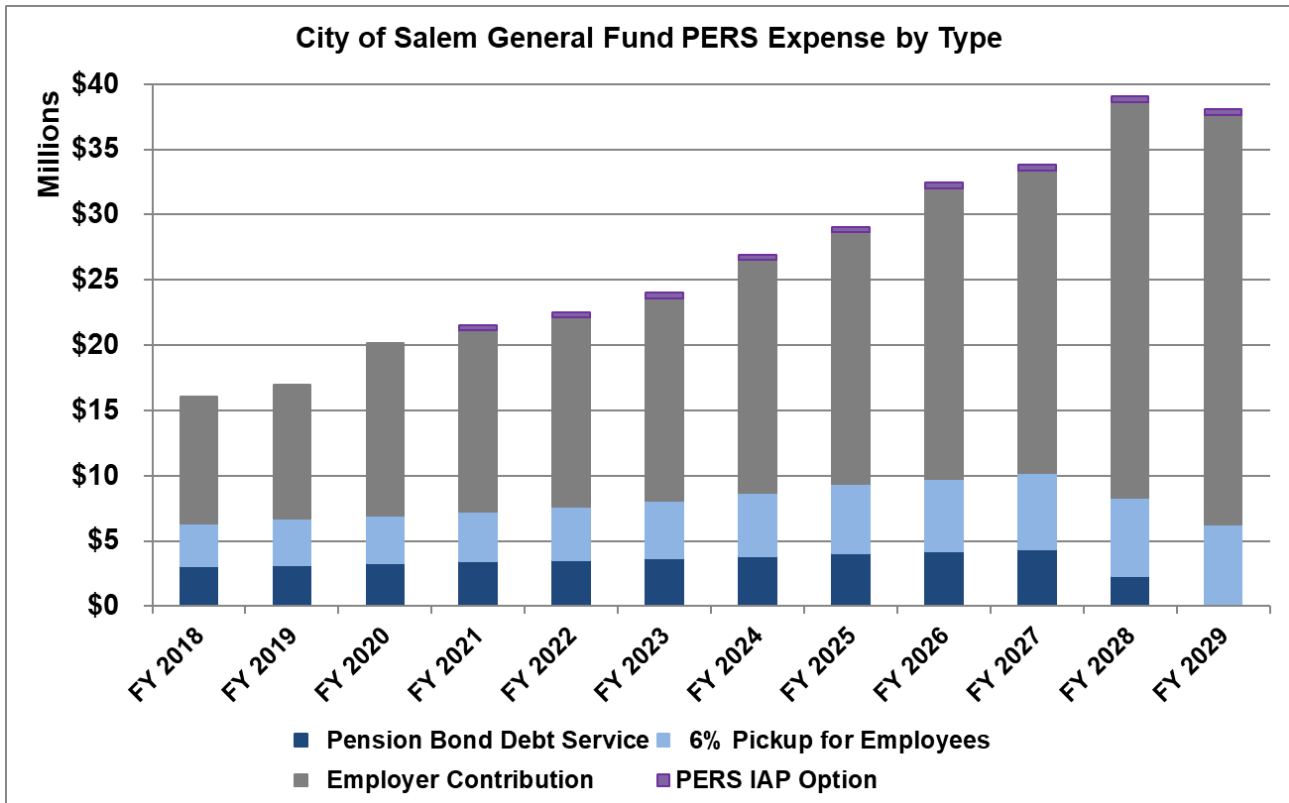
FY 2025 escalators or de-escalators for specific accounts are calculated against the FY 2024 estimates for year-end revenue totals by type. Factors for categories represent an average increase for the entire category.

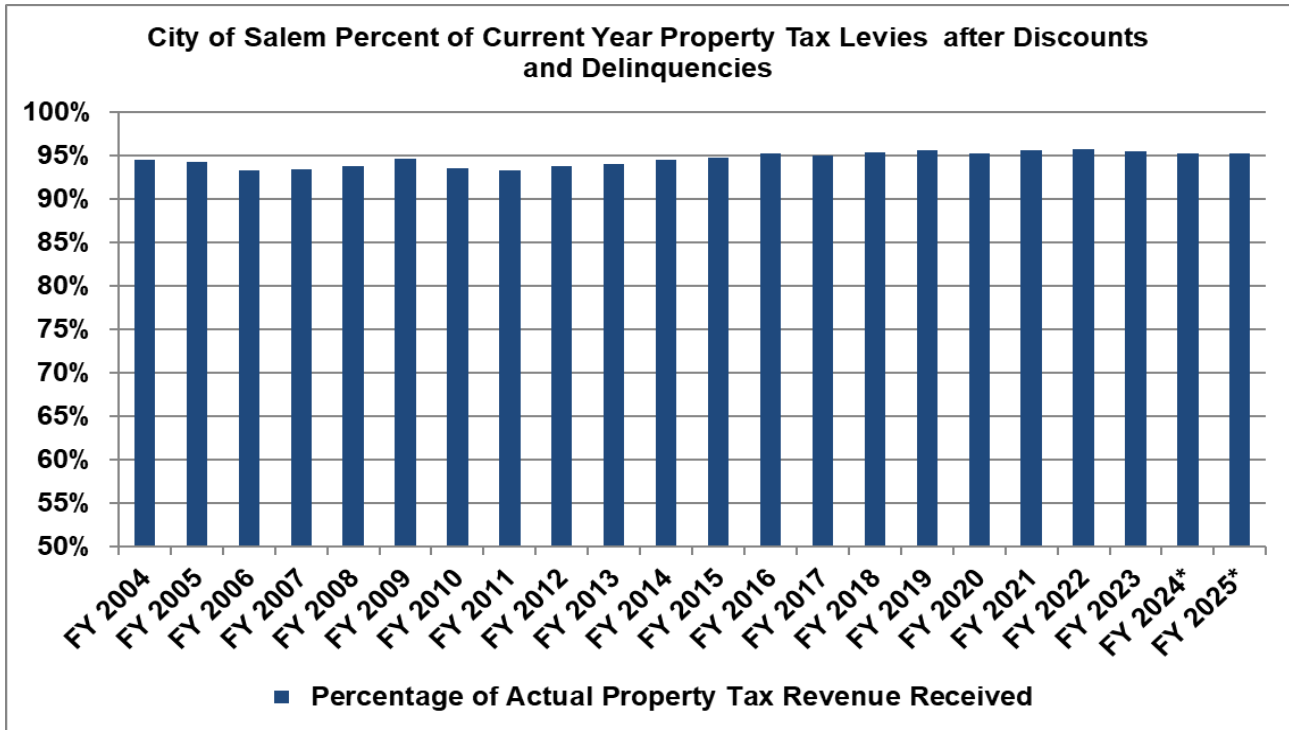
<sup>(1)</sup> The Public Utility Commission approved a request from Northwest Natural Gas to reduce rates effective November 1, 2023, due to lower natural gas market prices. This in turn impacts anticipated franchise revenue.

<sup>(2)</sup> Changes in parking meter revenue based on the difference in parking activity during the long and short State legislative session.

<sup>(3)</sup> Large reduction in factor for FY 2025 due to receipt of FEMA funds in FY 2024 for reimbursement of ice storm-related expenses.



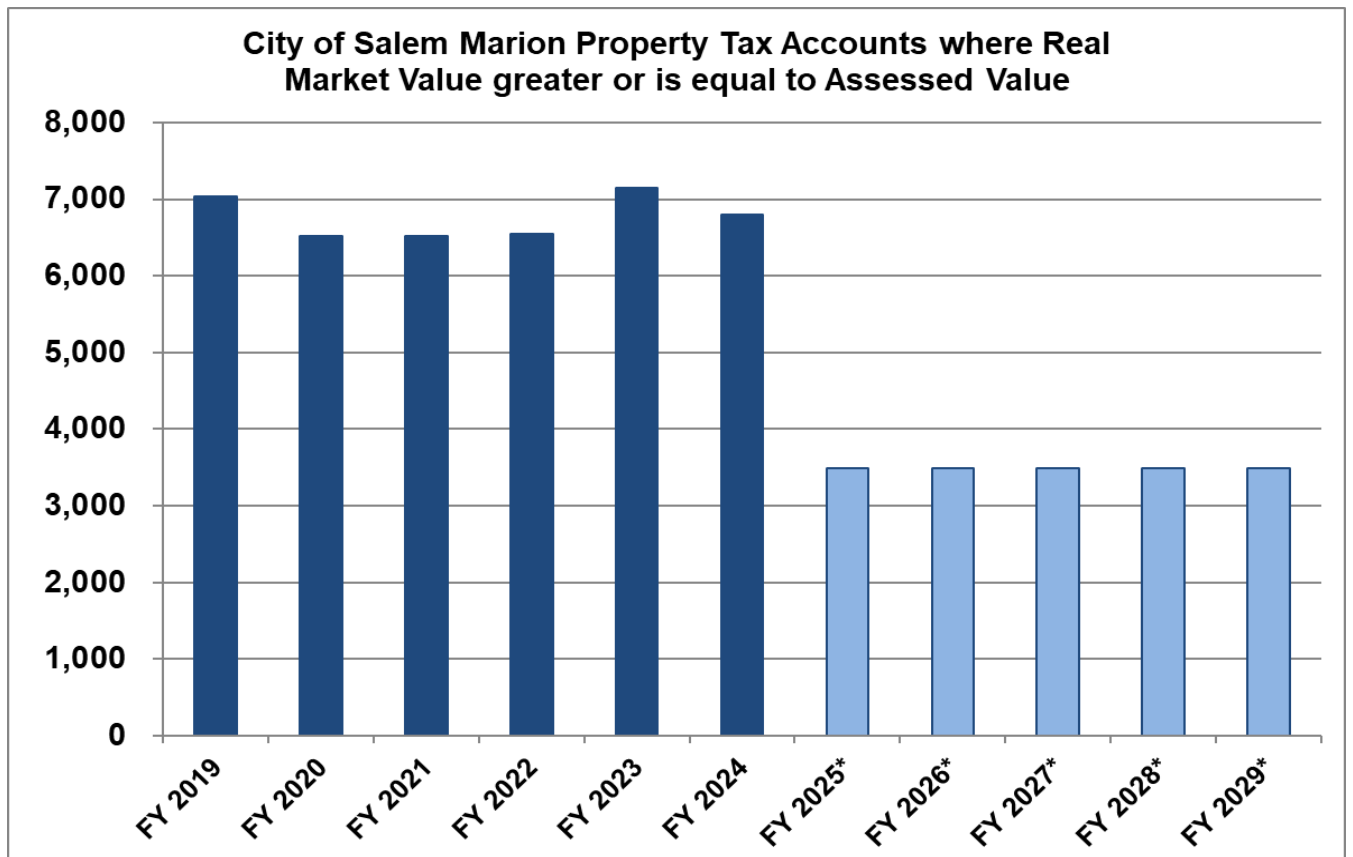
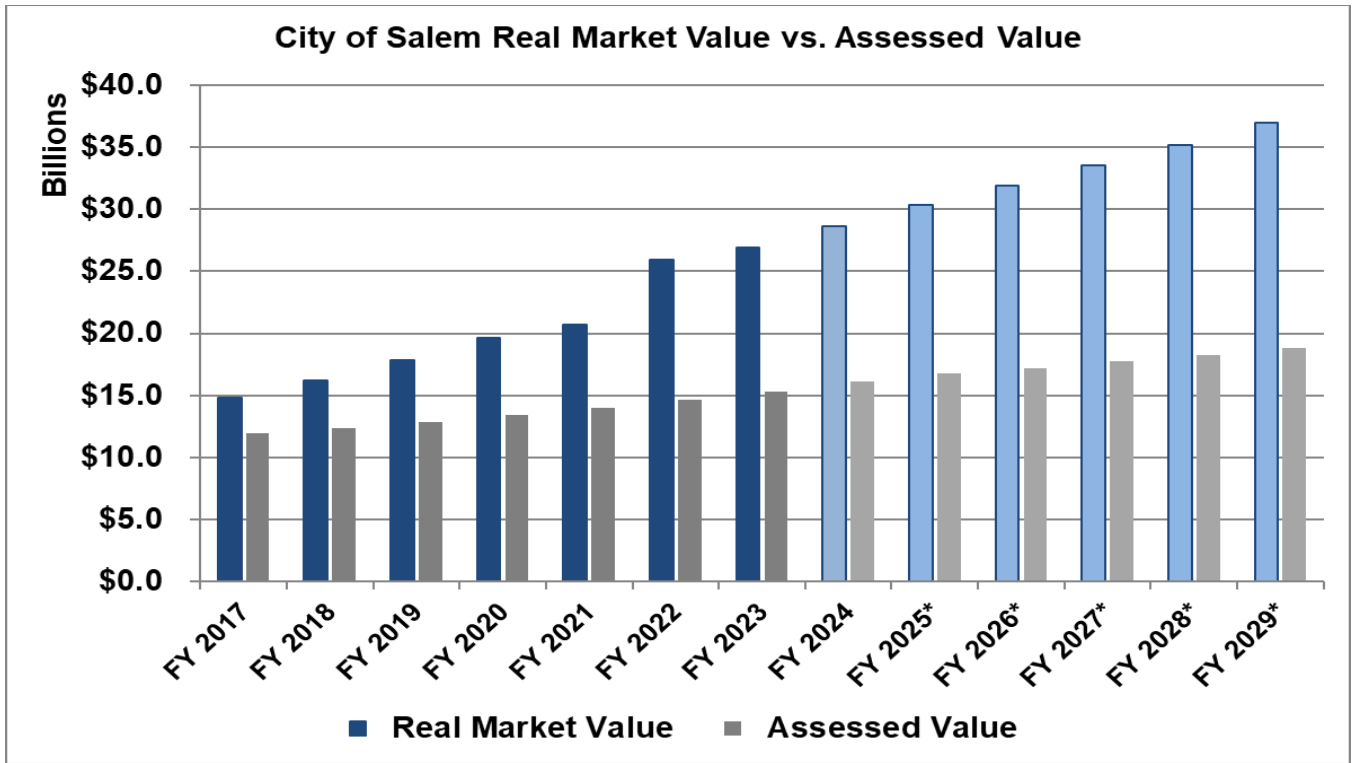




**Table 2 - Historic Changes in Property Tax Levies  
Since the Passage of Measure 50**

Fiscal Year	Levy	Increase	Actual	Increase
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	70,414,872	3.6%	67,345,574	4.0%
FY 2020	73,273,597	4.1%	69,793,377	3.6%
FY 2021	76,574,086	4.5%	73,208,446	4.9%
FY 2022	79,793,872	4.2%	76,329,300	4.3%
FY 2023	83,362,184	4.5%	79,535,131	4.2%
FY 2024*	87,036,187	4.4%	82,901,970	4.2%
FY 2025*	90,691,998	4.2%	86,384,130	4.2%

\* Projected



\*Projected

