



For the Budget Committee Meeting of: January 10, 2024  
Additions Agenda Item No.: 5.f.

**TO:** Budget Committee Members

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

**SUBJECT:** Responses to Committee Member Questions

**SUMMARY:**

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

**ISSUE:**

Responses to member questions through January 9, 2024.

**RECOMMENDATION:**

Information only.

**BACKGROUND:**

1. Where does the recent \$3m police settlement come from? The City's self-insurance risk fund? Is that why that expense for FY24EE is over by a couple million?

The final settlement amount and the cost to the City after insurance are still uncertain. The cost would be paid from the Self Insurance Risk Fund. This fund's revenue is from premiums charged across all City services. The large increase in FY2024 expenses is primarily due to a significant unforeseen increase in property insurance premiums.

2. Is the \$2.8m Vision Zero grant from USDOT reflected in the budget anywhere?

I believe this is a new grant and would be reflected in the upcoming FY 2025 budget.

3. (Page 9 of Five-Year Forecast) I'm confused about the state of the micro-shelter sites funding. Was the \$13m for construction and operation? And what would it cost to continue those? How many housing units do these provide?

The micro-shelter funding is outside of the General Fund. The City has received approximately \$13m in State grants to fund sheltering services and the City has chosen to use that funding (along with previous ARPA funding) to continue the micro-shelter operations. That funding will be mostly exhausted at the end of the current fiscal year (June 30, 2024). It is between 5-6 million annually to continue

the current micro-shelter operations. The current capacity for the three shelter sites is 250.

4. Given state employees generally got a 6.5% increase, and inflation was over 7%, why is the Salem AFSCME projected to just get a 5% raise (and for just one year)? What's the ballpark impact of each 1% increase (acknowledging each % increase costs a tiny bit more than the last)? Is the 5% considered the "market adjustment" on page 61?

We are in negotiations with AFSCME for the new contract (July 1, 2024). The 5% market adjustment, or Cost of Living Adjustment (COLA), is our best estimate of the needed COLA to keep up with inflation and the market.

5. (Page 10 of Five-Year Forecast) You're saying the difference between Options 2 and 3 on Police and Fire is an increase of \$5.2m (middle scenario?) or \$2.4m (reduction only)?

This is actually just references the increase to the cost of Police and Fire services compared to the FY 2024 Budget. The costs for police and fire services in the current service level scenario (page 11, table 1) is 5.2M over the FY 2024 budget. The costs for police and fire services in the reduction only scenario (page 15, table 3) is 2.8M over the FY 2024 budget. Sorry for any confusion.

6. (Page 12) Of the new positions added in the FY 2024 budget with the hope of the Payroll Tax passing, were any filled at all? If so, what's happening to those employees?

Three positions were filled that had offsetting revenue – the Amphitheater Manager (reimbursed from Transient Occupancy Tax) and two custodial positions for the new PW operations building (reimbursed from the Utility fund). These positions are not proposed for elimination.

7. (Page 13/14) Is six people a "team" in the fire department, or how many make up a team? What % of each department's positions are scheduled to be eliminated? (i.e. looks like about 8 in library, out of, what 45 FTE?) How were these cuts determined?

There aren't really teams – stations are funded with three shifts of three fire-fighters for a total of 9 per station. We also have floater positions (which these 6 are) to cover shifts when people call out sick or for vacation coverage. This reduction of 6 positions will result in an increase in overtime. This is only year one of a multiple year proposal that was presented to the City Council on September 18<sup>th</sup> (here is a link to the staff report and materials:

<https://salem.legistar.com/View.ashx?M=A&ID=1110440&GUID=642C0855->

[8ECA-4F6F-BC1B-ABF8C4947DAB](#)). These reductions were put together by staff as an option to balance the budget over-time by reducing staffing across services. This used the priority based budgeting framework and held off on the majority of the public safety reductions until later years in hopes that we would have a revenue solution. The total proposed reductions (by year 5) as a percent of the department's budget are:

<u>Department</u>	<u>% Reduction</u>
Mayor and Council	0.0%
City Manager's Office	0.0%
Enterprise Services	5.5%
Finance	4.8%
Legal	6.5%
Community Services	19.4%
Community and Urban Development	8.8%
Police	5.7%
Fire	10.0%
Non-Departmental	6.0%

8. (Page 18) How much do we get from parking revenue overall, and how's that broken down? (i.e. meters near the capitol, permits, other parking meters?)

Forecasting just over \$1M for FY 2025 for parking revenue in the General Fund. This broken down into Civic Center parkade (\$41k), Pringle parkade (\$97k), carpool permits (\$86k), and parking meters (\$797k).

9. (Page 18) What is state shared revenues? Is this a fee-in-lieu of property tax? Or something that happens for all cities? Do we get any part of the new \$2/pack cigarette tax, or the cigar and vape taxes?

These are revenues that the State shares with cities based on statute – Alcoholic beverages, cigarettes, liquor, and 9-1-1. We do not receive any of the new cigarette tax.

10. (Page 18) Is the operations fee just tagged to CPI (that goes up slower than our costs), if the Council doesn't adjust it?

Yes

Page 4

11. (Page 21 and throughout) Comment: It was confusing to me to have the three scenarios ordered differently in the language than the charts (i.e. it is Scenario 1, 2, 3 in the wording, and on the charts it's 2,1,3). It might be easier to follow if the probable scenario is Scenario 2 in the future. Comment: I find the extra ".00" in the chart axis labels to be distracting, and imagine "\$30m" might be easier for readers.

The chart of page 21 isn't referencing the three scenario tables. This is the first year we have done scenarios with the table and not just the variability that you see on page 21. I apologize for the confusion – we should have used some other identifier.

12. (Page 23) How does the City think about its pavement health? Is it sufficient to never have structural pavement maintenance? What's the lifespan of pavement at current maintenance practices? Is crack and slurry seal good for a few years, then needs to be replaced?

The City of Salem does an assessment of pavement condition every few years. Funding is not sufficient to do annual structural pavement maintenance with Transportation Fund operating dollars. Bond measures are typically the only funding mechanism available for major reconstruction of arterials and other critical routes. The lifespan of pavement at current maintenance practices depends on many factors including traffic volumes, weather, and the means and methods of the original construction / surface material. Crack and slurry seal treatments are helpful in maintaining pavement condition and extending the lifespan, but need to be repeated with regular frequency to be most effective.

13. (Page 25) How does 0.06 cents compare to other cities with gas taxes? is the ODOT chart accurate, and we'd be with Coburg, a bit higher than Eugene, and below Portland?

Salem is one of few larger cities in Oregon that does not have a local option gas tax. It is a traditional funding source for many jurisdictions. The \$0.06 value was used to estimate potential revenue in a white paper for the previous revenue task force and has been retained as an example referenced in this forecast. Coburg is \$0.06, Eugene is \$0.05, and Portland is \$0.10. A full list of tax rates is found here:

<https://www.oregon.gov/ODOT/FTG/Pages/Current%20Fuel%20Tax%20Rates.aspx?wp4401=l:100>

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14. (Page 27) Is the City (and other cities) lobbying for a higher % of State transportation revenues to come to it for its maintenance shortfalls, compared to spending funds expanding highways elsewhere in the state?

The City of Salem has not lobbied for a change in state highway revenue allocation. ODOT has maintenance shortfalls as well, and any effort to make a change in that allocation would require legislative action. The state enacted a series of four, two cent increases over the past six years with the final increase taking effect in 2024.

15. (various tables) is "M&S" materials and services?

Yes

16. (Page 34) Are utility rates set with base fee and increasing block costs, or a standard cost for each cubic foot used? (i.e. is there a strong financial incentive for reducing water use)?

Utility rates for each customer class and service have a base fee and a standard cost for each hundred cubic feet of water used. The City does not have an increasing block cost structure that may be more common in areas choosing to implement a stronger incentive for reducing water consumption. Over the past many years, Salem has shifted cost recovery from variable consumption charges to fixed base fees to help stabilize revenue and cover the proportionally larger fixed costs of the operating infrastructure compared to the smaller incremental cost of treating additional drinking water.

17. (Page 35) Do we hand-read meters, or is remote meter reading being done?

Salem uses a touch-read metering system which does not require the meter box lid to be pulled to get the meter reading. There are a limited number of accounts which are radio-read. The cost of implementing full radio-read is estimated to be a minimum of \$8 and \$10 million (materials only). It would require conversion of an estimated 55,000 meters. Costs would be greater if additional antennae or radio towers are required to have adequate coverage.

18. (Page 39) Is there an equipment replacement policy, or is it just judgment for a 20-year-old tractor/mower replacement?

Yes, there is a replacement policy with minimum use standards in the Fleet Services Manual. For a tractor/mower the minimum use criteria is 15 years or 5000 engine hours.

19. (Page 39) Confused with the last bullet on what happened. Is that saying airport terminal and flight deck renovations of \$1.2m are now in the Capital Improvements Fund as an expense, along with \$650k in revenue? And these things would normally be in the Airport Fund?

Last year's 5-year forecast (2024-2028) assumed a transfer to construction of \$1.2 million, however; due to revenue shortfalls the fund can only afford to transfer \$650,000 in this 5-year forecast (2025-2029). As a result, the flight deck renovations have been pushed out to a future year.

20. (Page 40) Building and Safety Fund - does this just fluctuate, given some fixed costs - in high-build years revenue > expenses, and vice-versa?

Yes, there can be fluctuations based on building activities.

21. (Page 44) Are the capital purchases on charting computers, batteries, medical kits, etc. something we own and put in Falck's ambulances? Or do we put those in our fire trucks/police vehicles?

### **Salem Fire Department**

- **Capital Purchases:** The Salem Fire Department EMS Division allocates its capital purchases specifically for the use of its personnel. This includes a range of essential equipment for Emergency Medical Services.
- **Equipment Placement:** All equipment purchased with the EMS Divisions Enterprise Fund is designated for placement on Salem Fire apparatus. This ensures that the department's vehicles are fully equipped with the necessary tools and technology to respond effectively to medical emergencies.
- **Personnel Use:** The primary objective of these capital investments is to enhance the capability and safety of the Salem Fire personnel. By investing in high-quality, reliable medical equipment, the department aims to ensure its team has the best resources for their demanding and critical roles.

### **Falck Ambulance**

- **Independent Capital Investment:** Falck Ambulance is required to invest independently in its capital equipment. This means that Falck Ambulance is responsible for funding and acquiring the necessary equipment for its apparatus and personnel.
- **Equipment Replacement:** Falck Ambulance must allocate resources to replace and upgrade its equipment. This includes medical supplies, ambulance equipment, and other essential tools needed for emergency medical services.
- **Autonomy in Purchases:** This policy reflects Falck Ambulance's operational independence in maintaining its fleet and equipment. It ensures that the organization independently sustains its readiness and effectiveness in emergency medical response.

This summary outlines the distinct approaches of the Salem Fire Department and Falck Ambulance regarding capital purchases and equipment investments. The Salem Fire Department's policy is focused on equipping its personnel and apparatus, while Falck Ambulance is responsible for its independent investment in equipment for its operations.

22. (Page 45) What do revenues in fleet and city services come from? Other departments using their services?

Yes, revenue comes from internal charges to user departments based on utilization (eg. Fleet is charged to departments based on historical fleet maintenance hours worked).

23. (Page 46) Why do we have a separate radio communications fund?

We do not, it is a cost center in the City Services Fund.

24. (Page 49) Where does revenue for streetlights come from? Is there any investment in dark sky improvements planned as far as maintenance/new poles?

The City's Streetlight fees are assessed on utility bills and were established in 2015 and have been used to pay for streetlight electricity, to re-lamp the system to Light Emitting Diode (LED) fixtures, and to install new poles in underserved areas. The Streetlight fee is collected through the City of Salem utility bill. The City's LED streetlamps are downward facing and are supportive of dark sky goals.



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25. (Page 50) How is WVCC funding determined (i.e. where does 43% come from)?  
Call volume?

Yes, there is a rate model and generally call volume is the largest driver.

26. (Page 51) While you state an annual transfer of \$1m is needed for future capital expense, where does that come from, and is it in the budget anywhere? Where do WVCC revenues come from?

It is in the budget as a transfer to other funds. The revenues come from the user agencies based on the rate model mentioned in the previous question.

27. (Page 61) Why the spike in workers' comp by 18%?

The City has seen escalated claims and insurance costs for both workers' comp and liability insurance. The rates are calculated to be fully compliant with the fund balance policy by the end of the five-year forecast.

28. (Page 62) Why the spike in liability insurance by 63%?

The City has seen escalated claims and insurance costs for both workers' comp and liability insurance. The rates are calculated to be fully compliant with the fund balance policy by the end of the five-year forecast.

29. (Page 66) Is the 95% property tax collection rate comparable to other cities?

Yes, it is not unusual. In Oregon, if you pay your taxes upfront you receive a 3% discount. The other 2% is delinquent taxes that we will eventually receive, but likely not in the current year.

30. (Page 67) Confused by the huge drop-off in the bottom chart FY-25 and forward, and the general low numbers. Don't most properties have a RMV much higher than assessed value?

Appreciate you pointing out the inconsistency. We found some errors and will be replacing the chart.

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31. [agenda packet p 17] Did the City spend \$30k on public art in FY23, and was that just 1.6% of budgeted?

The total expended in the budget art fund is \$758 in FY 2023.

32. (agenda packet p. 21) Confused about the Jory Apts numbers and percentages, but presume that's an artifact of it being so small

FY 2023 was the first full year of expenses and the year-over-year change looks weird with the small expenses in FY 2022.

33. (agenda packet p. 23) Looks like community development, library, and human resources are down significantly. Are these all vacancies, or other reasons?

Quarter 1 is always a challenge for reporting. There are often one-time expenses that are later in the year that can even out the percentage. Quarter 2 will have a better level of data for reporting spending to date and the supplemental budget in February will have a significant impact on reporting for quarter 3. However, the Library is expected to continue to have significant savings from vacant positions throughout the year.

## **Kali Leinenbach**

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**From:** Jim Scheppke <jscheppke@comcast.net>  
**Sent:** Friday, January 5, 2024 3:33 PM  
**To:** budgetoffice  
**Subject:** Testimony for the January 10th meeting

Dear Chair Stapleton and Citizen Budget Committee:  
Please accept my written testimony (Agenda Item 8) for your January 10, 2024, meeting.

### ***Public Libraries Are Essential to a Healthy and Livable Community***

By Jim Scheppke, former State Librarian of Oregon and 38 year Salem resident

In the summer of 2022 the Salem Public Library was singled out among all Salem city departments for a hiring freeze. This was done in anticipation of a plan to cut the 42 FTE staff by six positions in January, 2024, and nine more positions in July, 2024, if a payroll tax proposal on the November 2023 ballot were to fail to pass. Plans were also being formulated to reduce staff in other city departments in 2024, but none were placed under a hiring freeze.

What happened as a result of this has been disastrous for our library.

Resignations and retirements resulted in a staff reduction of nine FTE staff (26%) who were not replaced by the end of 2023. And as a result of this a decision was made by City management, without consultation with the Budget Committee or City Council, to dramatically reduce library open hours to five days a week at the main library and two afternoons a week at the West Salem Branch. Sunday hours, popular with working families, were eliminated as were evening hours. Our library will be the only major library in the state closed on Sunday and Monday. Thirty-eight other Oregon cities with populations under 20,000 will have more access to their main library than we do. That includes cities like Echo, Dufur, and Burns.

The rationale given for this was that the Salem Public Library is a low priority non-essential service in the City, unlike “public safety” services such as the police and fire departments. By cutting non-essential services at the library, which will save a million dollars or so out of a roughly six million dollar budget, cuts to “public safety” could be forestalled.

I contend this is wrong, and that public libraries are an essential public service. Yes, addressing crime and responding to medical emergencies are essential to a healthy and livable community, but so are public libraries – equally so, in my opinion.

So here are 20 ways that public libraries are essential to a healthy and livable community. See if you agree with me that libraries are essential in these important ways ...

1. Libraries help create and strengthen reading habits in children from birth to adulthood.
2. Libraries provide information and educational opportunities free for all people, regardless of their socioeconomic status.
3. Library reading programs for children and teens, like the Summer Reading Club, help bridge the economic divide that impacts student's academic performance.
4. Libraries promote civil discourse through programs like Salem Reads, modeling and upholding the principles of free inquiry and expression for all.
5. Libraries champion, promote, and reflect important democratic values through activities like Banned Books Week and other ways libraries encourage engagement with issues like freedom, justice and democracy.
6. Libraries are "third places" that create community — friendly, safe, welcoming places that you share with your neighbors.
7. Libraries preserve and promote local history — like our library's Hugh Morrow Collection —and family history — like our library's partnership with the Willamette Valley Genealogical Society.
8. Libraries can make a city a highly desirable place to relocate or retire (and conversely an undesirable place where library services are lacking).
9. Libraries can provide information resources to local businesses, especially small local and start-up businesses.
10. Libraries can ensure that non-English speakers see themselves as represented in their communities with appropriate collections, programs and services.
11. Libraries provide needed information, resources, and support for LGBTIQ patrons, especially young people in need of support.
12. Libraries provide access to the arts for all, such as art exhibits and music programs and films and speakers at Loucks Auditorium, not just for those that can afford them.
13. Libraries serve as the "people's university" where anyone can use free library collections and information resources to become well-educated on any topic imaginable.
14. Libraries help to close the "digital divide" by providing internet access and free wi-fi to anyone who can't afford access otherwise.
15. Libraries provide a safe and welcoming shelter for citizens experiencing homelessness.
16. Libraries are a gathering place for teens, such as at our Teen Scene, and provide leadership opportunities, such as with our Teen Advisory Board.
17. Libraries provide books and information in all formats to suit all reader preferences — paper books, ebooks, audiobooks, and online databases.
18. Libraries are welcoming to immigrants and their families and strive to provide them with information about, and opportunities to connect with, their new communities.
19. Libraries contribute to a circular economy by lending books, information – even a "library of things."
20. Libraries provide a welcoming afterschool venue for students to do their homework and socialize with their peers.



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