

# ADDITIONS A G E N D A



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

DATE: Thursday March 14, 2024  
TIME: 6:00 PM  
CHAIRPERSON: Dr. Irvin Brown

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

### 5. INFORMATION ITEMS

b. Staff Report – Responses to Committee Member Questions

### 8. PUBLIC TESTIMONY

a. Correspondence from Jim Schepcke regarding the Salem Public Library



For the Budget Committee Meeting of: March 14, 2024  
Agenda Item No.: 5.b.

**TO:** Budget Committee Members

**THROUGH:** Keith Stahley, City Manager

**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 March 8, 2024.

**RECOMMENDATION:**

Information only.

**BACKGROUND:**

1. Looking at the Page 13 of the 2025-29 Revenue Forecast, the supplemental budget scenario reflects elimination of 42 currently vacant positions. What is the estimated savings from eliminating these positions (is that the entirety of the \$5.95 million of proposed reductions for FY 2025)? How many of those positions have been unfilled for 6 or more months? How many additional positions that aren't on the list of 42 have been unfilled for 6 or more months and what is their estimated cost?

The \$5.95M reduction scenario comprises mostly of position costs as well as some material and service expenses. All positions are currently vacant, with most of the vacant positions being the new positions added during budget adoption for FY 2024. We will update the vacancy analysis when the Budget Committee reconvenes.

2. Looking at slide 15 of your January 10 presentation: Please clarify why the end of fiscal year 2026 has a stop sign. Is it because the following years all have negative ending fund balances?

The stop sign indicates that based on current assumptions, a FY 2026 budget would not be able to be adopted. The budget does not account for anticipated salary savings. Without the expected savings shown in the forecast, FY 2026 resources of \$196.41M (\$18.16M Beginning Fund Balance plus \$178.25M Revenues) are less than expenditures \$202.57M.

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3. Slide 21 from the January 10 presentation references the supplemental budget. Where can I find details of the adjustments proposed in that budget? Are they simply the 42 eliminated positions mentioned in the revenue forecast?

These adjustments will be included as part of a City Council meeting on February 12. The items include the elimination of positions as well as the materials and service expenses mentioned above.

4. Slide 22 mentions future reduction options. Where can I find a list of those options?

Those options are still being discussed by the City Leadership Team and will be presented to the Budget Committee and / or City Council when finalized. These reductions will be further modified based on the conversations happening with the Budget Committee and City Council during the budget review and adoption process. Scenarios were presented to the City Council as part of their work sessions on September 18 and October 25. Links to those materials are here:

- September 18, 2023, City Council work session
  - Meeting materials - <https://salem.legistar.com/View.ashx?M=A&ID=1110440&GUID=642C0855-8ECA-4F6F-BC1B-ABF8C4947DAB>
  - Video - <https://www.youtube.com/watch?v=xMuGjNtHEgU>
- October 25, 2023, City Council work session
  - Meeting materials - <https://salem.legistar.com/View.ashx?M=A&ID=1123161&GUID=9EA46C5F-5C78-4044-B166-34613A71F333>
  - Video - <https://www.youtube.com/watch?v=Zi7Hw1Lumc4>

5. On October 25th, you presented a slide showing the disconnect between the annual cost of general fund services to a 12-house block of existing homes vs annual property taxes received. The slide showed the cost at \$21,239 and the property tax collected at \$16,190, a 31% gap. Would that same disconnect apply to new housing built within city limits?

New properties in Oregon come onto the tax roll at a portion of their real market value after the Changed Property Ratio (CPR) is applied. This ratio is calculated by taking the average maximum assessed value of all unchanged properties in the county and dividing it by the average real market value of unchanged properties within the classification type (e.g., residential, multifamily). For example, if a new residential property was built and was valued at \$500,000, then the County would apply the residential property change ratio of 0.5087 (50.87%). This means that after applying the CPR, a \$500,000 home will come on the roll at \$254,350 of assessed value for taxing purposes.



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6. What is the general fund cost of non-police/fire services for the needy, including homeless. Services such as help with emergency food baskets, homeless education, case management, services for homeless youth, utility support and emergency/transitional housing.

Moss Adams has conducted an independent study on this topic, and it will be a part of the City Council Work Session on February 20, 2024. Materials for this work session are available online.

7. What is the general fund cost of promoting tourism, including commercial air service, amphitheater management, and community event coordination and support?

In the General Fund, most of the associated Tourism expenses are offset by a transfer of funds from the Cultural Tourism Fund such as the amphitheater management position.

The impact of commercial air service was touched on in responses sent to Budget Committee questions on January 24th. Below is the response provided:

Currently the Five-Year Forecast anticipates a total transfer amount of \$3.6 M over the five-year period. In addition, there are four General Fund positions that were added to support commercial air service (Police – 1, Fire – 3) that are funded at between \$674,760 (FY 2025) and \$871,460 (FY 2029). The total impact for the five-year period of the new positions is \$3.9 M.

8. What is the general fund cost of citywide memberships, services and subscriptions? What are the most costly items in this category?

In the FY 2024, the largest anticipated expenses for memberships include the League of Oregon Cities (\$121,780) and Council of Governments (\$59,060). Subscriptions include access for the Library to various catalogs (\$430,000), electronic signups for public comment at meetings (\$16,200) and Legal research catalog (\$10,730). A lot of membership dues are requirements of various professional credentials and positions. The FY 2024 General Fund budget for both accounts Subscriptions and Books and Membership Dues totals \$762,060.

9. What is the general fund cost of promoting business development, including business recruitment, retention & expansion? Included here would be the subsidy for SEDCOR and the general fund cost of subsidizing downtown businesses and landowners, including parking structures.

General Fund programs supporting business outreach and development are included in the Urban Development Department. These programs in the FY 2024 budget include:

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- Business Retention and Recruitment / City
- Business Retention and Recruitment / SEDCOR
- Increase Developable Land Supply
- Infrastructure Expansion and Public Improvements
- Revitalize Downtown

The cost of these programs in the FY 2024 budget total \$1,917,150.

Downtown parking structures do not typically have General Fund expenses except for rare instances, such as a lighting project several years ago. These improvements are usually supported by the Downtown Parking Fund or Leasehold Fund.

10. What is the general fund cost of digital photo enforcement?

The FY 2024 budget for the program is \$423,000. As of this writing, the revenue generated thus far in FY 2024 is over \$778,000. Rather than revenue generation, the purpose of speed on green and red light photo enforcement is the change of behaviors at key intersections to provide a safe environment for commuters and the public.

11. What is the general fund cost of historic preservation?

The historic preservation program in the General Fund is budgeted at \$343,770 in FY 2024. This program supports review of historic building alterations, compliance with state and federal historic preservation and archeology laws, and neighborhood heritage.

Maintenance and repair of city-owned or supported historic buildings (Deepwood, A.C. Gilbert, etc.) is paid in the Capital fund through a transfer from the Cultural and Tourism fund. Upkeep, like utilities, is paid for directly from the Cultural and Tourism fund. Work performed by City staff housed in the General Fund on historic buildings, like Facilities staff, is directly charged to the Cultural and Tourism Fund.

12. What is the general fund cost of softball/kickball leagues and tournaments?

The softball / kickball program budget cost for FY 2024 is estimated to be \$720,180 with revenue coming in as budgeted of \$268,000.

13. What is the general fund cost of boards and commissions not required by state law? Additionally, how many hours of staff time are spent annually on tasks directly linked to the activities of these boards/commissions, and what is the assumed value of an hour of staff time?

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The City, URA, and SHA have several Boards and Commissions as well as Committees. A “committee” is a subcommittee of the City Council/URA Board/SHA Commission. They include council/URA/SHA members and may include other individuals. The Budget Committee is the only one required by state law (there are additional council policy and city code required Committees as well).

Board and Commissions (“Boards”) are everything else. These include Boards created by ordinance (City), resolution (URA/SHA) and ad hoc Boards such as the Revenue Task Force. Further, other groups are formed by staff, such as the Water-Wastewater Task Force, which includes members of council. Staff appoints the non-council members and the Mayor appoints the council members.

The URA Board and SHA Commission are the principal governing body of their respective entities. While in theory they could be terminated, so long as those entities exist, they must have governing bodies.

The only Board required by State law is the Planning Commission. However, other Boards are required pursuant to intergovernmental agreements, such as the Historic Landmarks Commission. Many Boards have quasi-judicial functions that go beyond an advisory role and have authority to issue legally binding orders, such as SPRAB and Public Art Commission. If those Boards were terminated, in addition to code changes, a new decision-making authority would need to be assigned.

The City is currently undertaking a comprehensive review of the purpose and practices of Boards, Commissions, and Committees. Staff is currently working to determine the scope of the project, with the end result being recommendations to City Council. This is part of the overall governance project through Moss-Adams, which will also look at Neighborhood Associations and conduct a Salem Charter review.

The FY 2024 budget includes \$561,810 in programming costs for the General Fund for Boards and Commissions Support. As more committees or groups are added or as more staff time are dedicated to current committees, these expenses will increase. For example, the cost for these same programs in FY 2023 was budgeted at \$474,280 in the General Fund.

14. On Page 39 of the Five-Year Forecast: The narrative says the Airport Fund will need continuing general fund support in order not to become fully expended by year two. How has adding commercial air service affected the financial stability of the fund and what is the amount of the General Fund subsidy that will be needed?

Please see above answer in question 7.

15. On Page 47 of the Five-year Forecast: Claims activity for the Self-Insurance Benefits Fund rose a “significant” amount in 2023. Total expenditures are expected to continue growing, about 7.96% a year. What explains the increase and how does the increase affect the general fund?

This was touched on in responses sent to Budget Committee questions on January 24<sup>th</sup>. Below is the response provided:

This is because of increased usage and a rise in the cost of services. The actual net paid claims through November 2023, in comparison to our full 2022-year plan, saw an increase of 4.8%. In self-insured plans, it is typical to experience years with low claims and others with higher-than-anticipated claims, depending on the number of increased claims costs.

The general fund contributes 59% to the benefits premiums, and the actual impact on the general fund with this increase is approximately \$1.3 M.

16. On Page 48 of the Five-Year Forecast: Why have liability claims for the Self-Insurance Risk Fund risen at an “unprecedented” rate. Total expenditures are expected to grow about 8.3% a year. What are the implications for the general fund?

This was touched on in responses sent to Budget Committee questions on January 24<sup>th</sup>. Below is the response provided:

Several relatively large and expensive claims have been settled. We also have several pending claims that we need to plan for. There is an increase in costs for computer/software applications and other outside services. Additionally, there were several large and expensive incidents involving motor vehicle crashes (for example, two police vehicles were totaled, and a generator was stolen). Premiums for liability/auto/property insurance have gone up by 40%, and they are estimated to increase by this much again next year.

Over the years, internal rates have been set to meet the City Council fund balance policy by the fifth year of the five-year forecast. However, with the year over year significant increases in insurance and claims costs, the fund balance has continued to decline. This declining fund balance contributes to larger near-term rate increases. The General Fund is allocated 50% of the Liability internal charges based on the rate model. For FY 2025 the overall liability rates increased by 63%, the General Fund impact of this increase is 65.7%, and that amounts to a \$1.1 M increase over FY 2024.

17. In the second Expenditure Assumptions table on Page 61 of the Five-Year Forecast: medical insurance costs are expected to grow a total of 47 to 52 percent through 2029 (about 9.4-10.4% a year), depending on the insurance plan. Are the increases

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primarily related to rate increases by the plan providers, and what are the implications of the increase in medical insurance cost for the general fund?

Yes, as mentioned these rates are reflective of increases in plans which is typical of the current health insurance environment.

18. Looking at the FY 24 general fund budget:

Page 335: Paid family leave was budgeted at a 123% increase, to \$821,480. What caused the increase, and is that projection holding up?

Paid family leave was only assessed for half the year in FY 2023 whereas in FY 2024 it will be assessed for the entire year. The amount is 1% of salary. It is anticipated that this line item will be approximately the same amount as budget with vacancies being offset by overtime.

19. Page 337: Contingencies were budgeted at a 2,286% increase, to \$3 million. What caused the increase, and is that projection holding up?

The General Fund is budgeted annually with \$3M in contingency. The FY 2023 year started with \$3M in contingency but ended with the \$125,720 you see on the page because contingency was accessed throughout the fiscal year for unplanned circumstances and the budget authority was moved to other expense categories. This is what is displayed in the "% Chg Difference" column as the high percentage, however there is not an increase in the actual budgeted amount.

20. Page 362: Mayor and council were budgeted at a 57.9% increase, to \$410,290. Included were a 14,275% increase for travel, to \$11,500, and a 119% increase in other professional services, to \$247,600. What caused these increases, and are the projections holding up?

Increases for Mayor and Council include \$100,000 for federal lobbying efforts, \$35,000 for Spanish and ASL interpretation services at City Council and Budget Committee meetings, and \$3,200 in Council retreats. It is anticipated that the Mayor and Council budget will be completely expended by fiscal year end.

21. Regarding the Urban Renewal Budget:

The city expects to collect roughly \$84 million in property taxes for the general fund in FY 2024. The chart on Page 11 of the URA Budget indicates that the city expects a net current-levy collection of roughly \$21.4 million in property taxes for urban renewal projects. This includes about \$18.8 million in tax increment and \$3.6 million in taxes on all Salem properties from a special levy that predated the passage of Measure 50 – minus about \$1 million in discounts and delinquencies. What are the dates when the city's seven urban renewal areas are expected to expire and their tax increment taxes begin flowing to the general fund?

Urban Renewal Areas are able to exist and collect tax increment so long as they have not reached their maximum indebtedness. When an area is established, a dollar amount is set for the area to be able to use for projects. These dollar amounts can be increased with proper action and notification so an area can continue to collect increment beyond this initial dollar amount. As of fiscal year end of 2023, below are the following maximum indebtedness left.

<b>Area</b>	<b>Borrowing Capacity Remaining</b>
Riverfront / Downtown	\$171,967,655
Fairview	\$4,385
North Gateway	\$13,468,398
West Salem	\$13,747,575
Mill Creek Industrial	\$7,663,701
McGilchrist	\$1,100,000
South Waterfront	\$19,278,000
Jory Apartments	\$20,551,335

22. My rough calculations indicate that 3,769 acres of Salem’s land (about 10 percent of the total of 31,000 acres) is designated for urban renewal. Is that about right?

As presented to the URA Board at their January 22, 2024 meeting, approximately 11% of the City’s acreage is in a URA actively collecting tax increment, or 3,363 acres. According to State statute, it is allowed up to 15% of it’s total acreage.

[Legislation Details \(With Text\) - 24-16 \(legistar.com\)](#)

23. The chart on Page 11 indicates that the property tax levy is expected to increase about 23 percent in FY 2024 versus FY 2023. What explains the increase, and is the projection holding up so far?

In the Mill Creek Industrial Area, the Amazon property has come onto the tax roll in full which is causing the increase. URA property taxes are trending as anticipated during this point in the fiscal year.

24. On Page 8, in resources and requirements for Capital Improvements, what does the line Internal/Intergovernmental refer to, and what accounted for the big jump in expected revenues in FY 2023? Did that projection hold up, and is the projection for FY 2024 (a drop of roughly 11 percent) holding up so far?

Internal / Intergovernmental is a line item that reflects revenue from another governmental or URA source. In FY 2023, a large increase was budgeted in the US Federal Highway grant in the McGilchrist URA over the prior year estimates. This revenue did not materialize as anticipated in FY 2023 and thus far in FY 2024, only about 20% of budgeted revenue in this category has come into Fund 265.

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25. Salem has a number of undeveloped parks

([https://www.cityofsalem.net/community/things-to-do/parks/find-a-park/-selamenityid-25#facilityAmenities\\_568\\_3150\\_1203](https://www.cityofsalem.net/community/things-to-do/parks/find-a-park/-selamenityid-25#facilityAmenities_568_3150_1203)) What would be the budget savings by not maintaining these parks and or selling some of them to developers?

The City has an obligation to provide at least a basic level of maintenance on our undeveloped parks properties. Reasons for this include liability, code compliance, and safety. Consideration of selling park property would be a significant process. Each property is unique and may have various considerations. For example, there may be deed restrictions or limitations on its development and use. The funding sources used to purchase parks property are typically System Development Charges (SDC's) or other restricted funds, such as grants. Proceeds from sale of property would likely need to be returned to the source from which it was purchased. In most cases, it would be unlikely that these proceeds would go to the General Fund and could only be used to purchase or develop other parks property. While selling park properties might seem like a good way to help the City's revenue shortfall, it would probably not have the desired effect, at least when it comes to the General Fund. Finally, the process of acquiring park properties and holding them in an undeveloped state is intentional and strategic. The City seeks to acquire parkland in underserved areas while the land is available before it is developed for other purposes, knowing well that it may be many years before a park can be built. If the City were to sell or relinquish ownership of strategically acquired property, land may no longer be available and the City would lose the opportunity to provide the desired level of service at some point in the future.

26. What is the overall target budget cut number that needs to be met for FY25?

The FY 2025 Proposed Budget is being finalized, approximately \$4M of reductions are required to maintain compliance with the Council Fund Balance Policy of 15% of revenues. The proposed budget will include additional revenue and reductions to meet this requirement.

27. What is the budget cut number per program area?

The City adopts an annual budget, but if all the staff recommended reductions (option 1) were put into effect, the following would be reductions as a percentage of the forecasted FY 2028 department budgets:

Department	% Reduction
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%

28. What is the cost of SFD/SPD to respond to SKPS and Oregon State facilities? From my understanding the City of Salem is not charging for response to these two entities.

The City does not have a comprehensive analysis of the cost of service to State or school district properties. Both entities are tax exempt and don't pay property taxes that generally would cover the cost of this service.

29. What is the potential revenue of closing the West Salem Library and selling the property and equipment?

This is a complex question to answer and would require further analysis. The City's lease agreement with Roth's requires the building to be removed and site restored if the City ceases to operate a library at this site. The City does not own the underlying property but do own the roughly 13,000 square foot building and the equipment, furnishings, and fixtures. In the event of closing the West Salem library, existing assets like the circulation materials, equipment, and furnishings would be incorporated at the main branch. Anything of value would be repurposed. This leaves the building and it is difficult to assess its value. The building is 29 years old and according to the agreement with Roth's, it would have to be moved if sold. Further, the City would have to pay to have the site fully restored to its condition before the building existed. This expense would need to be deducted from the potential value of selling the building.

A more realistic scenario in the next few years would be to explore renegotiating our agreement with Roth's to temporarily pause the clause to remove and restore the site if we cease to operate the West Salem Library. This would give the City time and the opportunity to determine whether to permanently close this branch, or re-open it at some point in the future if the revenue issue can be resolved.

30. Likewise, what are the potential budget savings by closing the West Salem Library?



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A high-level estimate of savings for FY 2025: \$25,000 savings in utilities and staffing. Note, this is based on the current reduced hours, implemented January 2, 2024 (2 days/week, 10 hours/week). Even if the building remains vacant, if the building is retained there will still be some utility and other minimal maintenance costs. Approximately \$37,000 is allocated for material costs (book/resource purchases) for the West Salem branch. Total savings would be approximately \$63,000.

31. How much would it cost (positions and S&S) to increase hours at the Central Library? The increase that I believe the community would want is a resumption of Sunday and extending evening hours to 8pm.

This is a complex answer and would require further analysis. The answer would be dependent upon whether hours on current operating days would be extended, operating days would be added on days the Library is currently closed, or if there is an adjustment / shift to the current number of hours. If the current FY 2024 staffing levels are further reduced in FY 2025, the library would only be able to effectively operate based on those staffing levels. The previous Sunday hours were staffed with 8 full time staff members, 2 part time staff, and 3 seasonal/on-calls. To allot more hours on top of current days and hours, it would require more staff at an increased cost or a reduction or adjustment to the current operating hours.

32. What are the potential budget savings by elongating the life cycle of police, fire and other city vehicles past their current life cycle by two or three times?

Vehicle life cycles are calculated to balance cost of replacement with cost of ownership. Therefore, on average, not replacing a vehicle at the end of its useful life actually costs the City more money in parts, downtime, and maintenance than replacing it. However, each vehicle is different, and the Fleet Division closely monitors each vehicle individually to help determine the actual point at which the vehicle is more expensive to keep than replace. Unfortunately, many of the City's Police vehicles are already past due for replacement but insufficient funding and manufacturing delays have led to deferring or delaying the arrival of replacement vehicles. For example, Police Patrol unit #11365, a 2018 Ford Interceptor, has 125,702 miles and 18,456 engine hours, an equivalent to 609,048 miles. This is well beyond our recommended minimum use standards of 5 years, or 100,000 miles or 10,000 hours. Keeping these vehicles any longer only multiplies the true cost of ownership.

The Fire Department has replaced almost its entire fleet of passenger vehicles in alignment with the bond-funded replacement of its apparatus and ladder trucks. Minimal additional Fire vehicle replacements are anticipated in the coming years.

33. Are there any properties, parcels of land, buildings that the City of Salem owns that can be sold? If so, how many?

Most City of Salem properties are used for City Operations or are used by the public. There are other properties that were purchased using specific funding sources and if sold, the funding would return to that funding source and would not be available for general use.

34. List all new programs from the past five fiscal years that have on-going budget impact and include the fiscal impact. I'm thinking about everything from the Navigation center to the climate change program.

Below is a list of programs budgeted in Fiscal Year 2024 that offer new services not budgeted in Fiscal Year 2020. The Climate Action Plan program has existed for over five years.

A majority of these programs are funded using money outside of the General Fund, including the 2022 Safety and Livability Bond, National Opioid Settlement funding, and the newly created Jory Urban Renewal Area.

<b>Programs Added Since Fiscal Year 2020</b>		
<b>Future Fund</b>	<b>Program</b>	<b>FY24 Budget</b>
Construction	GO CI Bond - Bond Premium	\$729,390
Construction	GO CI Bond - Civic Center Seismic	\$9,273,610
Construction	GO CI Bond - Fire Engines and Equipment	\$14,190,000
Construction	GO CI Bond - Fire Stations	\$2,000,000
Construction	GO CI Bond - Park Upgrades	\$3,933,000
Construction	GO CI Bond - Technology & Cybersecurity	\$2,347,700
Construction	GO CI Bond - Transportation	\$10,000,000
Construction	GO CI Bond - Affordable Housing & Library Sites	\$2,150,620
Construction	GO CI Bond - Affordable Housing Opportunity Funds	\$267,400
General Fund	Body Worn Cameras	\$1,000,000
General Fund*	Salem Outreach and Livability Services	\$2,000,000
General Fund*	Homeless and Sheltering Coordination	\$6,055,050
General Fund*	Navigation Center Operations	\$1,420,070

Trust	Opioid Addiction Prevention and Treatment	\$267,500
URA	Jory Apartments Debt	\$6,794,560
URA	Jory Apartments URA	\$1,200,000
<i>*Currently supported with grant funding in the Trust Fund but future operations would require General Fund funding.</i>		

35. Are all of the individual funds restricted funds, or are some of them unrestricted? Part of this question is what from the General Fund could be removed and placed in a different fund. I would like for the city Attorney to chime in about if, for instance, Bush Riverfront, Wallace and Minto-Brown parks were part funded by the tourism fund. I believe there is good justification that these parks bring in lots of tourism/host events related to tourism that could come off the GF books.

There is currently a transfer from the Cultural Tourism Fund (funded with Transient Occupancy Tax) to the General Fund that covers much of the cost of maintenance for community and regional parks. The amount of this transfer is \$1,451,130 for FY 2024.

36. Why overtime remains high within the Fire and Police departments. What would happen if we cut allowed overtime from \$5M to say \$1.5M. How would those departments manage their people?

Both our Police and Fire Departments have been operating with nearly 20 vacancies each over the past two years. Due to these vacancies and the demands for service, the overtime budget for these departments has increased. Reducing the budget would not have a direct impact on the actual expense. Implementing a reduction in overtime expense would require the departments to adjust their service models. For the police department, this could involve restructuring services by ending special units or limiting responses to particular calls. For the fire department, it could mean closing stations, leading to longer response times for fire calls or calls for medical aid. These changes would have a significant impact on the residents of Salem.

37. Which departments utilize the \$3.5M (FY24 Mgr Rec figure) for incentives (51100)? Are they effective (retainment of personnel) why or why not? What would happen if we cut that to \$750K?

The incentive line item represents contractual incentives agreed upon in negotiations with our union partners. These incentives are a crucial tool in recruitment, often setting Salem apart as an employer of choice in competition for new talent. Cutting expenses in this line item would require negotiation with our five unions. Some of these incentives date back to the 1980s, and reducing them

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would be challenging, as it would be perceived as a 'takeaway' from the union membership. They would likely expect a monetary exchange for any reduction, which could have a negative effect on morale.

38. Regarding leave payoff (51120) is this for employees that are retiring/transferring out of city of Salem? Is there currently a "use or lose" policy for leave within the city? If not, how can one be established to ensure that the leave payoff number comes down?

The leave payoff line item is a contractual obligation. Employees at the City of Salem are allowed to accrue up to two years of vacation accruals (the accrual amount increases with service time). If an employee's accruals exceed this limit, they do not receive any additional accruals until they reduce their balance. The expectation is that employees use this time for respite from work. The budgeted amount in this line item does not represent an actual payout because such payouts are dependent upon staff separating from employment. We do not have certainty regarding who will be leaving employment in any given year. Each budget year, departments analyze prior year history, upcoming retirements, and expected payouts in December and June and enter that information as an estimate.

39. I would like from staff to answer the impact of reducing supplies (52130) to \$500K, and training (52510) to \$225K. Regarding training, what training programs do we have that cost this much money (\$726K in Mgr Rec for FY24), is the training effective?

Each Department has their own supplies and training budgets specified to meet either mandated or required materials and trainings for their operations. In the FY 2023 year, over 94% of the total General Fund supply budget was expended by departments. Supplies ordered by departments include daily items like paper, printer ink, pens / highlighters, and more specific items like ticket booklets for parking enforcement, date stamps for accounts receivable, envelopes for W-2 mailing to name a few. Training expenses include required training for various professions. In the 2024 budget, this included required training for City Attorneys to maintain bar licenses (\$9,600), Certified Public Accountant continuing education courses (\$2,000), CPR training in Police (\$3,400), aircraft rescue and firefighter training in Fire (\$27,000) to name a few. In addition, if there is budget capacity, there are budgeted trainings not required for certification standards, but are a career development tool for employees.

Not all budgeted training happens due to various staffing needs or financial restrictions. Additionally, departments are allowed to expend outside of individual line items so long as the category is less than the budgeted threshold. For

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example, a department could have a total Materials and Services category budget of \$150,000 of which \$10,000 for the supplies account and \$5,000 for training account is a part. The department could overspend in both those, but not overspend the total category of \$150,000 and be in internal City finance policy compliance. Artificially reducing either account does not necessarily mean such expenditures would not happen so long as the department could forgo in another area of this category to pay for them.

This restriction of expenditure is a more conservative approach than required by Oregon budget law which allows for the over expenditure between categories so long as the overall operating budget is adhered. For example, a department could hire additional seasonal employees (personnel services) but forgo spending on new computers (materials and services category) and still be in legal budget compliance. The City has an internal policy though of not allowing departments to do this unless there is an expressed business need and approval by the City Manager.

40. From "other professional services" (52670) what consists of this? Also, what would be the impact of reducing that account to \$2.5M?

In the most recently completed fiscal year, the General Fund expended over 97% of budgeted expenses in other professional services. Most often, this account covers expenses incurred by the City for outside professional services for work unable to be performed by staff for either mandate or capacity reasons. In the 2024 fiscal year, some budgeted items included interpretation services at City Council and Budget Committee meetings and for staff (\$102,200), actuarial services for other post-employment benefits (\$10,000), outside services for facilities systems like HVAC, plumbing, electrical, etc. at City properties (\$591,000), a physician advisor of the Fire Department (\$79,560) and security services at various locations including for Civic Center and downtown parkades (\$593,150).

Reducing this account would have various impacts. Some are requirements and others are not, but not having access to these service would require more work to be performed by City staff or the work would not be performed at all. As mentioned above, artificially reducing the account does not necessarily mean that these items would not still be paid for so long as the department is under the total materials and services category.

41. When was the last audit of "computer software and licenses" (52830)? If there are vacancies, I would like to make sure that we aren't paying for a license that we don't need.

Page 16

Currently, the IT division manages over 70 separate IT software contracts. A significant portion of these contracts specify a specific license baseline, yet there are exceptions. Due to staff changes, we occasionally encounter situations where licenses remain unused for the remainder of their annual renewal term, and adjusting these terms is not feasible. To mitigate this, we conduct regular audits on our software system allocations to ensure that licenses are assigned appropriately and fully utilized. Our policy is to efficiently allocate all existing licenses before considering the acquisition of new ones.

The City does not perform comprehensive audits on a fixed schedule, but the responsibility for monitoring software licenses primarily falls to the IT procurement analyst, who also serves as the IT Asset Manager. This role involves closely coordinating with various departments to oversee the management of enterprise applications and their licenses. The IT division maintains management over enterprise applications, while the oversight of licenses for department-owned applications is delegated to each respective department, with utilization checks primarily conducted at the time of license renewals.

42. Parks and Rec's budget jumped from \$11M in FY22 to \$14.5M in FY24; what led to the jump? And what would be the impact of returning P&R to their FY22 level?

A few major actions have contributed to the increase in the Parks and Recreation Services budget over the last few years. These include:

- Creation of the Community Services Department required moving positions and operating budgets from other City Departments into the Community Services Administration function within Parks and Recreation Services Budget. Moving these positions had no significant budget impact overall but did result in significant additional budget authority for Parks and Recreation Services in FY 2024. The positions include:
  - Deputy City Manager (1) and Program Manager (1) from the former Community Development Department.
  - Homelessness Liaison, Human Rights Manager (1), Neighborhood Program Coordinator (1), and Outreach / Education Coordinator (1) from the City Manager's Office.
  - Planner (1) and Staff Assistants (3) from the Public Works Department.
- The City also planned for an increase in staffing in FY 2024 that increased the Parks and Recreation Services budget. The FY 2024 added positions were removed by City Council through a supplemental budget in February and will not be included in the FY 2025 Budget. The positions included:
  - Management Analyst (1) in Community Services Administration.
  - Supervisor (1) and Parks Maintenance Operators (3) for SOS Team Expansion.

As a result of these net-neutral position movements and the recently passed Supplement Budget reductions, the Parks and Recreation Services overall budget impact on the General Fund remains similar to that of the FY 2022 Budget.

43. Spending on Other Professional Services increased significantly for the City Manager's Office and the Mayor & City Council (PP 342 & 366). What drove the increases?

This question was also asked during the fall City Council work sessions and is a good one. The two largest drivers of this increase are the inclusion of \$100,000 for a federal lobbyist along with \$35,000 for interpretation services for City Council meetings.

44. The Enterprise Services Department Summary of Services and Programs (P 54) mentions the Health Hub as part of the Self Insurance Benefits program area. What is the Health Hub and what is its cost?

The Health Hub is a designated medical office for City of Salem employees that can handle minor medical issues and preventive healthcare like physicals and immunizations. The cost of its operation are paid for out of the Benefits Self Insurance Fund with the dual goal of providing convenient and timely healthcare to employees while reducing claims costs from the Benefits Self-Insurance Fund. The cost for this service is estimated at \$658k for FY 2024. The cost is offset by what would otherwise be claims payments made to third party providers for medical services covered by the Fund.

45. For the Cultural and Tourism Fund, beginning working capital is 44% of budgeted revenues (P 300). Is there a fund balance goal for the C&T Fund that is different than the 15% goal set in Policy C-10?

Each fund has various financial requirements based on the purpose of the fund, restrictions by a governing body, and types of revenues / expenses. For example, the Utility Fund has requirements related to debt service while the Benefits Fund has requirements for a claims reserve. The Cultural and Tourism Fund (also called the TOT Fund for Transient Occupancy Tax) has restrictions and outlined uses through Salem Revised Code and City Charter. The TOT Fund received one-time revenue in fiscal years 2021 and 2022 from the Federal government as a part of lost revenue replacement due to COVID. However, since these funds can only be used for limited and specified purposes, a large fund balance remains. It is anticipated that this fund balance is going to be reduced over the course of the five year forecast due to pressures on the fund for capital improvements to City-owned cultural facilities (such as Bush House, Deepwood Estate, etc.).

It is the goal of the Finance Department to continue to create fund balance policies that make sense for financial operations. Recently, two new fund balance policies (Streetlight Fund and Transportation Services Fund) were reviewed by the Finance Committee and forwarded to City Council for adoption. It is likely a TOT Fund policy will be created in the near future.

46. It appears that Travel Salem gets \$ from the 9% Transient Occupancy Tax (\$1,047,930 p 299) & from the 2% Tourism Promotion Area fee (\$1,282,500 p 403). Is this correct?

This is correct. The TOT rate in Salem is 9% and the TPA (Tourism Promotion Area) is 2%. Travel Salem receives 95% of the Tourism Promotion Area fee with up to 5% retained by the City for the cost of administration of the program on their behalf. Of the TOT that comes in, Travel Salem receives 25% of that and the Convention Center receives an additional 10% so long as revenue from TOT is over \$300,000. Essentially, 35% of TOT revenue is contractually paid to either Travel Salem or the Convention Center prior to the funding of City programs, grants to cultural facilities or maintenance of historic properties.

47. What are your projected costs for consultants in FY 24? Please break out the cost for Revenue Task Force consultants from this figure. What is the source of funding for consultants, including those for the Revenue Task Force?

Most of the consultants paid for by the City fall under the other professional services account mentioned above. They are paid for by departments engaging the services of a consultant to support initiatives and specialized work that City staff do not have capacity to perform or where an outside opinion is necessary. For example, the Utility Fund budgets for a consultant to prepare the cost of service analysis which is validated by staff for utility rate setting. The Revenue Task Force was approved via a contingency transfer approved by the City Council in December for \$302,800 from the General Fund. Of this amount, \$265,600 is for various consultants including facilitation, translation services, community engagement, and polling.

48. In the personal services section (p 16), incentives are budgeted at \$3,980,710, up 10.4% from 2023. What are the incentives and can they be adjusted through the budget process?

Incentives are wages paid to employees usually for specialties and are typically guaranteed by collective bargaining agreements. For example, there is a 5% selective for bilingual employees who have completed an outside test for proficiency and will be asked to use their skills for City business. Another example includes a \$3.27 per hour to Firefighters for also being EMT-Ps. As contracts are negotiated and base pays increase, so proportionally will incentive pays over time.



Similar with the questions regarding accounts like training or supplies, a department is allowed to over expend in an account (like incentives) so long as their overall Personnel Services category is at or below its budget. However, for departments that have few vacancies or little savings in their personnel budgets, this could result in an over expenditure of budget authority. As mentioned, these incentives are required by various union contracts and could not easily be reduced.

49. Are there any tourism-related general fund expenses that aren't covered by a transfer from the tourism fund?

It is possible that there are some indirect expenses, but no direct expenses that are not planned and budgeted for transfer.

50. For commercial air service, the Five-Year Forecast anticipates a total transfer amount of \$3.6 M over the five-year period. In addition, there are four General Fund positions that were added to support commercial air service (Police – 1, Fire – 3) that are funded at between \$674,760 (FY 2025) and \$871,460 (FY 2029). The total impact for the five-year period of the new positions is \$3.9 M. What services does the transfer amount of \$3.6 million cover? Is the transfer from the general fund to another fund? Also, the \$3.9 million cost of the new positions is distinct from the \$3.6 million transfer, correct?

The \$3.6M covers the cost of the five new positions in the airport fund to support Commercial Air Service. This is structured as a transfer from the General Fund to the Airport Fund. Yes, the \$3.9M related to the new General Fund positions is separate from this \$3.6M transfer.



For the Budget Committee Meeting of: March 14, 2024  
Additions Agenda Item No.: 8.a.

**From:** [Jim Scheppke](#)  
**To:** [budgetoffice](#)  
**Subject:** Public Testimony for the March 14th Citizen Budget Committee Meeting  
**Date:** Tuesday, March 12, 2024 9:02:51 PM  
**Attachments:** [SPL Benchmark Analysis 23.docx](#)  
[Library Hours Cut in Half.docx](#)

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Chair Brown and Members of the Committee:

I hope you will read the following two reports concerning the Salem Public Library prior to your meeting.

Thank you for your service,

Jim Scheppke, Ward 2  
[jscheppke@comcast.net](mailto:jscheppke@comcast.net)





# BENCHMARKING ANALYSIS OF THE SALEM PUBLIC LIBRARY

By Jim Scheppeke, Former State Librarian of Oregon and 38 Year Salem Resident

## Introduction

A benchmarking analysis is a type of market research used by private and public organizations to compare their data to that of their peers using a selection of important metrics. Benchmarking analysis is essential to helping an organization to see where it stands in comparison to its peers so that it can plan for improvement.

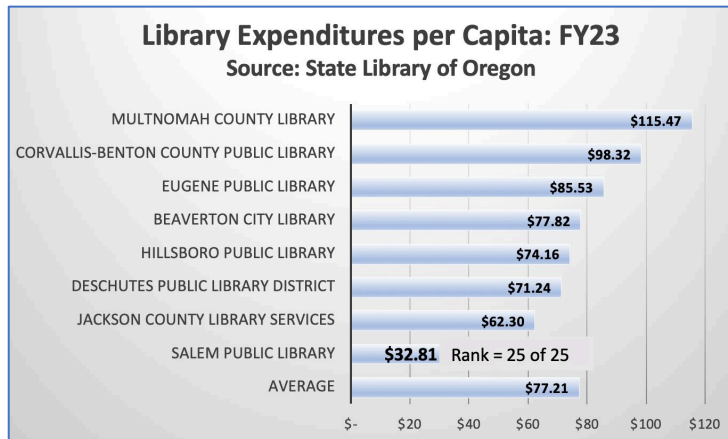
For many decades the State Library of Oregon has been annually collecting a wide range of data from Oregon public libraries that enables benchmarking analysis. My analysis directly compares the Salem Public Library to seven peer libraries serving the largest populations in the state using the latest data for Fiscal Year 2023 (July 2022 – June 2023). In addition, the analysis looked at Salem Public Library’s ranking among the 25 Oregon public libraries serving populations over 30,000.

The analysis is presented using charts that graphically illustrate how the Salem Public Library compares to its peers. Included in the charts is a note on how the Salem Public Library ranks in comparison to all 25 public libraries serving populations greater than 30,000

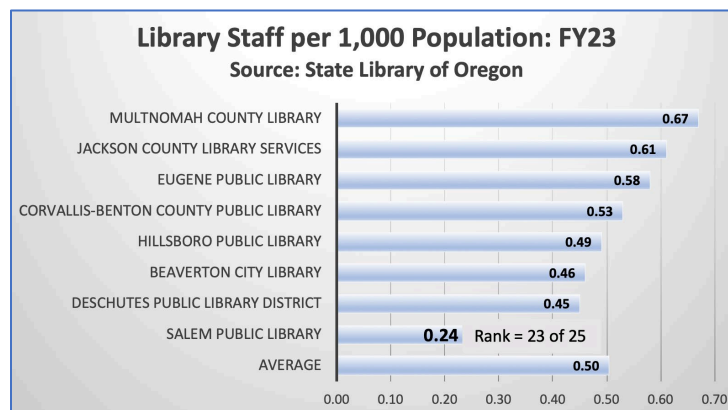
The metrics chosen for this analysis, out of hundreds reported by the State Library, comprise both input measures and output measures. They are the measures that in my judgement give the best, most accurate, assessment of the resources and performance of the Salem Public Library. However, it should be noted that the Salem Public Library has in Fiscal Year 2024 suffered a hiring freeze and major service reductions after having lost approximately 20% of its staff. So when this analysis is completed again a year from now, the picture is likely to look even worse.

## Input Measure Analysis

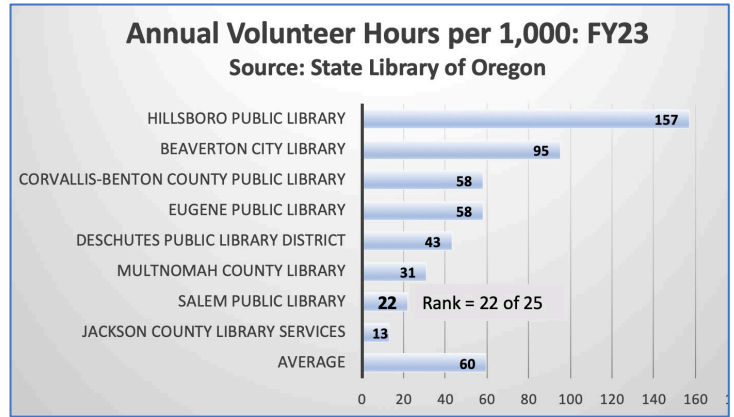
The most important library input measure is **library expenditures per capita** which drives the other input measures. The State Library also reports library income (budget), but expenditures is the preferred metric, since often a budget is not completely spent. In FY 2023 Salem Public Library reported the lowest expenditures per capita among its peers. It also had the *lowest expenditures per capita of any of the 25 Oregon libraries serving populations greater than 30,000.* Eugene Public Library, serving a similarly sized population, had more than twice the expenditures per capita as Salem Public Library.



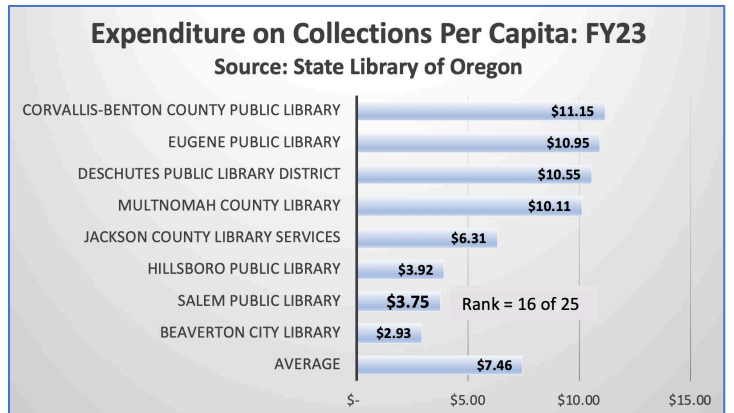
**Staffing** is the by far the biggest single expense of a public library. This metric includes all paid staff including professional librarians and other staff, both full time and part time, measured in Full Time Equivalents (FTE). Salem Public Library had by far the lowest amount of staffing per 1,000 population in Fiscal Year 2023, a little more than half that of the next highest peer. Again it is useful to compare to Eugene Public Library serving a similar sized population which had more than double the staffing per 1,000 as Salem Public Library. Only two libraries serving populations greater than 30,000 had fewer staff per 1,000.



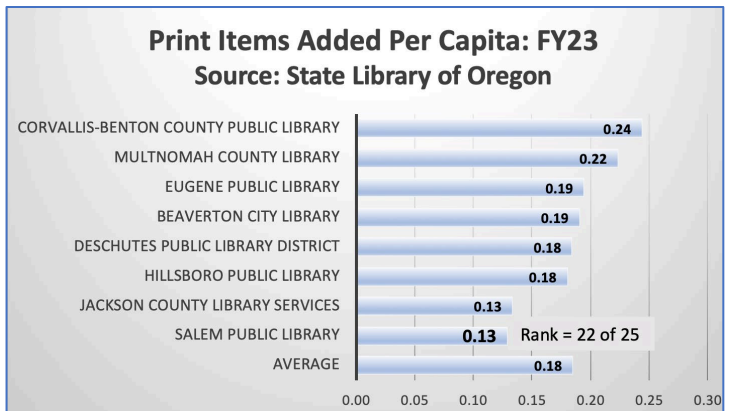
Oregon public libraries make extensive use of volunteers to supplement their paid staff. In this comparison of annual **volunteer hours per 1,000** population served we see that only one peer library logged fewer volunteer hours than Salem Public Library. And of the 25 libraries serving populations less than 30,000 only three libraries logged fewer volunteer hours per 1,000 population served. Eugene Public Library logged more than twice the volunteer hours per 1,000. It is interesting to note that even libraries that are well-staffed like those at Hillsboro and Beaverton manage to productively use many volunteers.



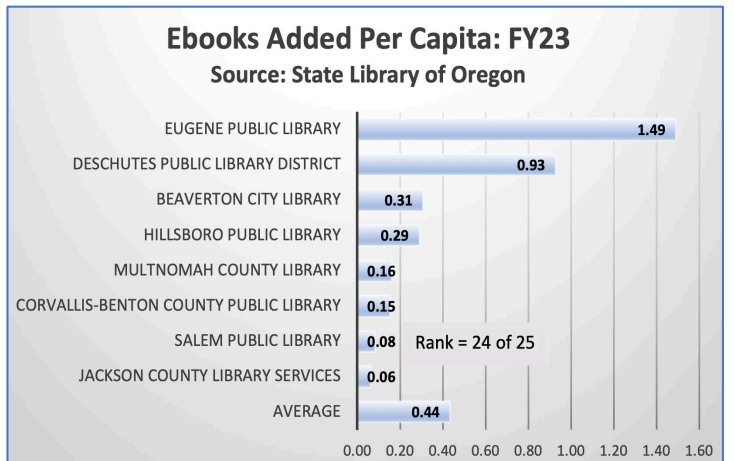
After expenditures on staffing, the next largest expense for public libraries is adding new library resources to their **collections** including books, ebooks, audiobooks, periodicals, and even a “library of things.” Only one of the peer libraries spent less on their collections per capita in Fiscal Year 2023. Eugene Public Library, with a similar sized population spent nearly three times as much to grow and maintain their collections.



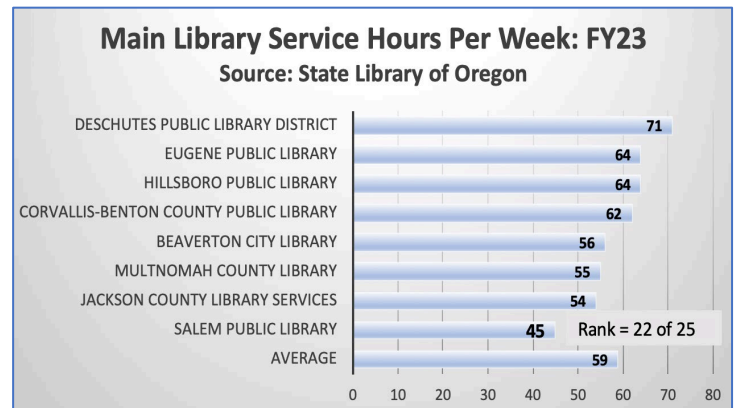
**Print items added per capita** measures the number of physical books, as opposed to ebooks and audiobooks, added to the library collections. Salem Public Library added the fewest books per capita in Fiscal Year 2023 among all the peer libraries and only three other libraries serving populations less than 30,000 added fewer books per capita than did the Salem Public Library.



**Ebooks added per capita** measures the number of new ebooks made available to library users per capita in Fiscal Year 2023. Libraries must license access to ebooks from suppliers like OverDrive and cloudLibrary at a cost considerably higher than paper books. Only one peer added fewer ebooks per capita to its collections in Fiscal Year 2023. Some libraries, like in Eugene and Bend are clearly trying to build outstanding ebook collections for their users.

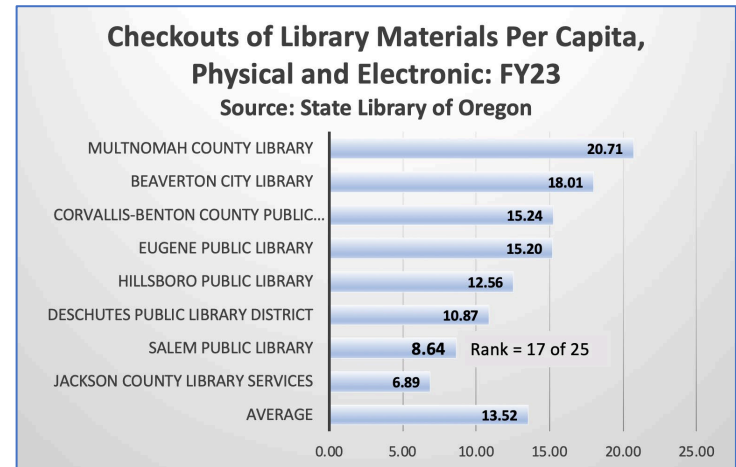


**Main library service hours per week** measures the number of hours the main library was open to the public in Fiscal Year 2023. Salem Public Library's low ranking reflects the fact that it was closed on Mondays, while all of its peers were open seven days a week and most had more evening hours. Only three other libraries serving populations less than 30,000 had fewer main library service hours. It is worth noting that in January 2024, hours at our main library were reduced to 38 hours over only five days.

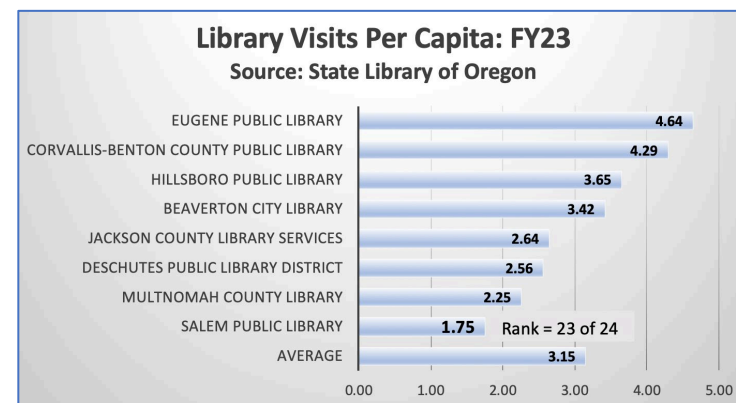


### Output Measure (Performance) Analysis

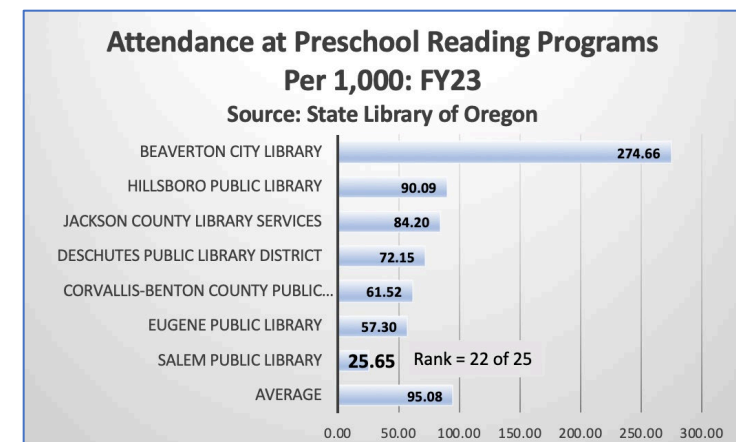
The most important performance measure for a public library is **checkouts per capita**, also sometimes called circulation per capita. It measures everything the library checks out including books, ebooks, audiobooks and other items in the library collections. Only one of the peer libraries had fewer checkouts per capita in Fiscal Year 2023 and two of the peer libraries checked out over twice as many materials per capita as did Salem Public Library. The lack of branch libraries and reduced open hours explain most of the poor performance of Salem Public Library on this measure.



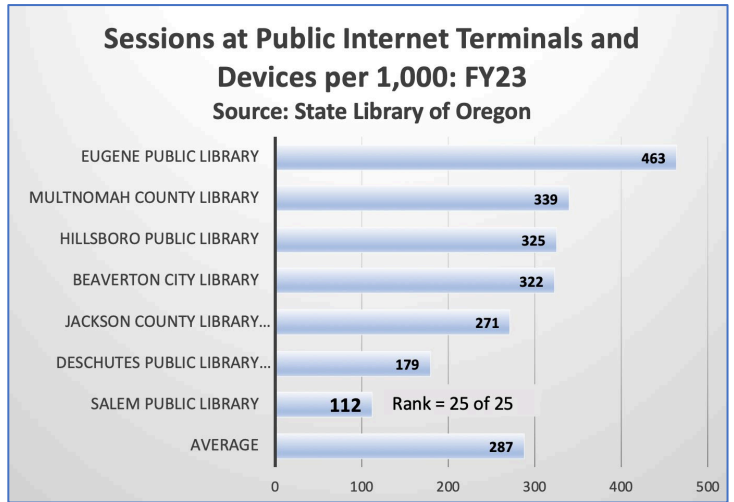
**Library visits per capita** measures the number of individuals who enter the all library facilities, including the main and branch libraries, during operating hours. The library security gates record this count which is highly accurate. It is not surprising that Salem Public Library performs poorly on this measure because of its lack of branch libraries and limited hours of operation. Only one library serving fewer than 30,000 population performed worse.



Providing frequent **preschool reading programs** is perhaps the most important service a public library can provide to a community. Education research has shown that children who do not develop a familiarity with books and a love of reading before they enter kindergarten are likely to never become proficient readers. Salem Public Library's poor performance on this measure may provide part of the reason why only 24% of third graders in Salem-Keizer schools could pass the 3<sup>rd</sup> grade reading test in 2023. In Beaverton, with their library's outstanding performance, 56% of 3<sup>rd</sup> graders passed the test.



Sessions at public internet terminals and devices (e.g., tablets) measures the number of times individuals used all library facilities (main and branches) to access the internet. Sessions are logged electronically. This measure does not include library users who use library wi-fi connections on their own devices. This is a vital service that addresses the “digital divide” for unsheltered persons, job-seekers, students, and low income residents. Salem Public Library logged the lowest number of sessions of any library serving more than 30,000 population. Eugene Public Library, with about the same population as Salem, logged more than four times as many sessions per 1,000 as Salem Public Library.



**Conclusion of the Benchmarking Analysis**

Based on this benchmarking analysis of State Library data from Fiscal Year 2023, it is not an exaggeration, I believe, to conclude that the Salem Public Library is the worst major public library in Oregon. There are libraries serving fewer than 30,000 population in the state that would show similarly poor per capita funding, staffing and performance. But for the 25 libraries serving more than 30,000, it is clear from these numbers that Salem Public Library is at the bottom. It has the worst funding per capita and nearly the worst staffing and volunteer hours per capita. It is probably safe to say that with the recent reduction in main library operating hours to only 38 hours per week, it has the worst main library operating hours among major libraries in Oregon.

Poor funding, staffing and collection expenditures lead directly to poor performance. With public libraries, you get what you pay for. Only one library serving more than 30,000 had fewer individuals use their library per capita in Fiscal Year 2023. None of these libraries had fewer internet users per capita. Perhaps most concerning is the fact that all preschool children are not being adequately served with frequent, accessible reading programs, like library storytimes in multiple languages, which I believe contributes greatly to the poor outcomes we see later on when reading proficiency is tested in our schools.

*I need to emphasize that none of this is the fault of the library staff.* Their efforts have been nothing short of heroic in attempting to continue to offer quality public library services in the face of relentless and severe budget and staffing cutbacks over many years. The fault lies with us in failing to support our library as other Oregon cities and counties have done.

My hope is that this benchmarking analysis will be widely read and reflected on in Salem, and that Salem residents will wake up to the fact that we have seriously neglected our library for many years and that we need to find ways to improve our support. The capital city of Oregon deserves a public library we can all be proud of.

Jim Scheppke, Ward 2  
jscheppke@comcast.net





## IN THE PAST TWO DECADES WE HAVE CUT OUR PUBLIC LIBRARY HOURS IN HALF

By Jim Schepcke, Former State Librarian of Oregon and 38 Year Salem Resident

In 2003 the population of Salem was about 144,000. By 2024 we added about 33,000 more to our population and yet at the same time we have cut the operating hours of our public library *in half*, from 96 hours per week to 48.

### Library Hours in 2003

**Hours**

**Central Library Hours**  
585 Liberty Street SE

\*Sunday 1 - 5 PM  
Monday 10 AM - 6 PM  
Tuesday - Thursday 10 AM - 9 PM  
Friday & Saturday 10 AM - 6 PM



For Reference and information call 503-588-6052.  
24-hour automated information 503-589-7740

\*Closed Sundays from June 2 through September 1

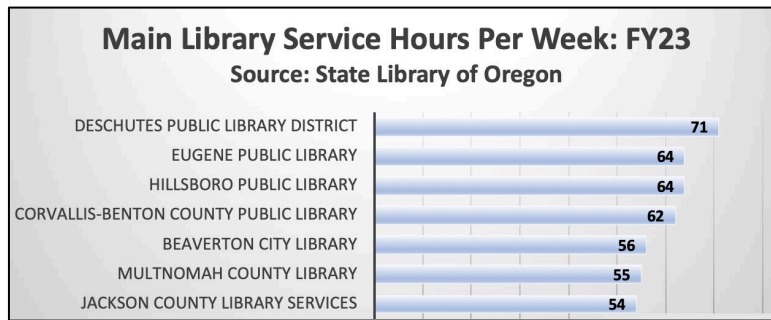
**West Salem Branch Library Hours**  
395 Glen Creek Road NW

Sunday CLOSED  
Monday Noon - 8 PM  
Tuesday - Friday Noon - 5 PM  
Saturday 10 AM - 5 PM  
For information call 503-588-6301.

### Library Hours in 2024

<p><b>Main Library</b></p> <p>585 Liberty St. SE Salem, OR 97301</p>  <p><b>Main Library Open Hours</b></p> <table border="0"> <tr><td>Tuesday</td><td>10 a.m.-6 p.m.</td></tr> <tr><td>Wednesday</td><td>10 a.m.-6 p.m.</td></tr> <tr><td>Thursday</td><td>10 a.m.-6 p.m.</td></tr> <tr><td>Friday</td><td>10 a.m.-5 p.m.</td></tr> <tr><td>Saturday</td><td>10 a.m.-5 p.m.</td></tr> </table>	Tuesday	10 a.m.-6 p.m.	Wednesday	10 a.m.-6 p.m.	Thursday	10 a.m.-6 p.m.	Friday	10 a.m.-5 p.m.	Saturday	10 a.m.-5 p.m.	<p><b>West Salem Branch</b></p> <p>395 Glen Creek Rd. NW Salem, OR 97304</p>  <p><b>West Salem Branch Open Hours</b></p> <table border="0"> <tr><td>Tuesday</td><td>1-6 p.m.</td></tr> <tr><td>Saturday</td><td>12-5 p.m.</td></tr> </table>	Tuesday	1-6 p.m.	Saturday	12-5 p.m.
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Saturday	10 a.m.-5 p.m.														
Tuesday	1-6 p.m.														
Saturday	12-5 p.m.														

Our main library is the only main library in a major city in the state that is closed on Sunday and Monday. It is only open 38 hours a week — far less than in other peer cities in the state.



There are 37 cities in Oregon *with populations under 20,000* whose public libraries are open more hours per week than Salem’s main library. Here are 10 Oregon cities *with populations under 6,000* whose public libraries are open more hours per week than Salem’s.

City	Population	Main Library Hours/Wk.
Echo	905	40
Dufur	2,027	43
Enterprise	2,080	40
Vernonia	2,403	40
Maupin	2,612	40
Stanfield	3,033	40
Coquille	4,710	45
North Plains	5,106	52
Gold Beach	5,221	55
Myrtle Point	5,555	45

For the capital city of Oregon to have such substandard library service is an embarrassment. Our children, families, seniors, and students are not getting the library service that is the norm in nearly every other city in our state. It’s time we do what is necessary to fund our libraries.