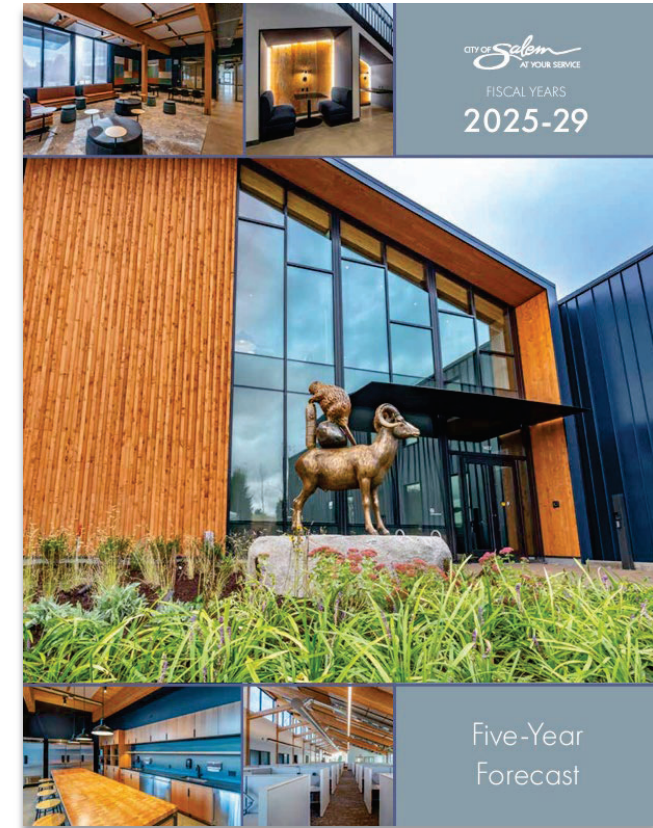


Budget Committee Preliminary General Fund Five-Year Forecast

City of Salem
October 30, 2024

Why we forecast

- Evaluate Current and Future Fiscal Conditions
- Identify Potential Issues
- Support Sustainable Services Delivery
- Financial best practice



Forecast Assumptions

Assumptions considered in the forecast

- Revenue
- Compensation
- Health benefits
- PERS
- Specific expense factors

PERS Rate Comparison



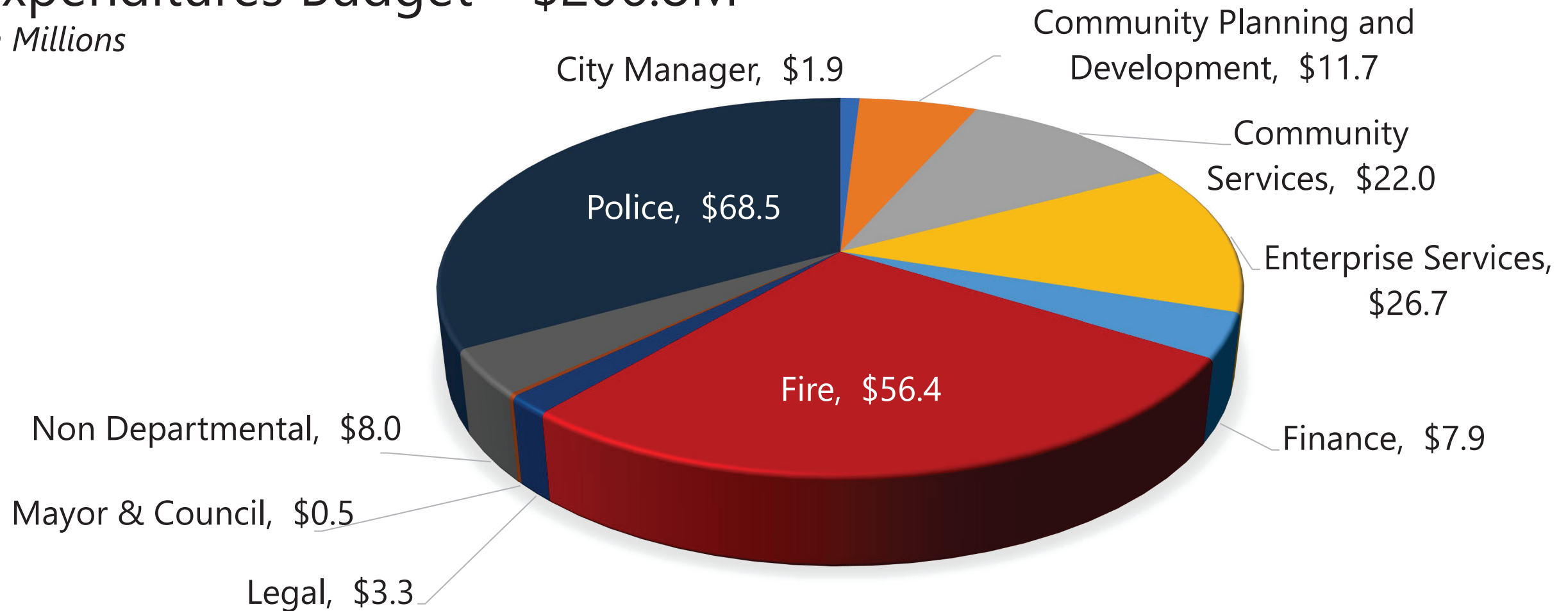
Public Employees Retirement System (PERS) Rates

	FY 2024 - FY 2025 Actual	FY 2026 - FY 2027 Actual	FY 2026 - FY 2027 in FY 2025 Forecast	FY 2028 - FY 2029 in FY 2025 Forecast	FY 2028 - FY 2029 in Preliminary Forecast	FY 2030 in Preliminary Forecast
Tier 1 and 2	25.07%	30.29%	27.22%	33.41%	35.48%	36.48%
OPSRP General Service	18.31%	24.02%	20.46%	26.65%	29.21%	30.21%
OPSRP Police and Fire	23.10%	29.29%	25.25%	31.44%	34.48%	35.48%

General Fund

Forecast – Fiscal Year 2026 (Year 1) Expenditures Budget – \$206.8M

In Millions

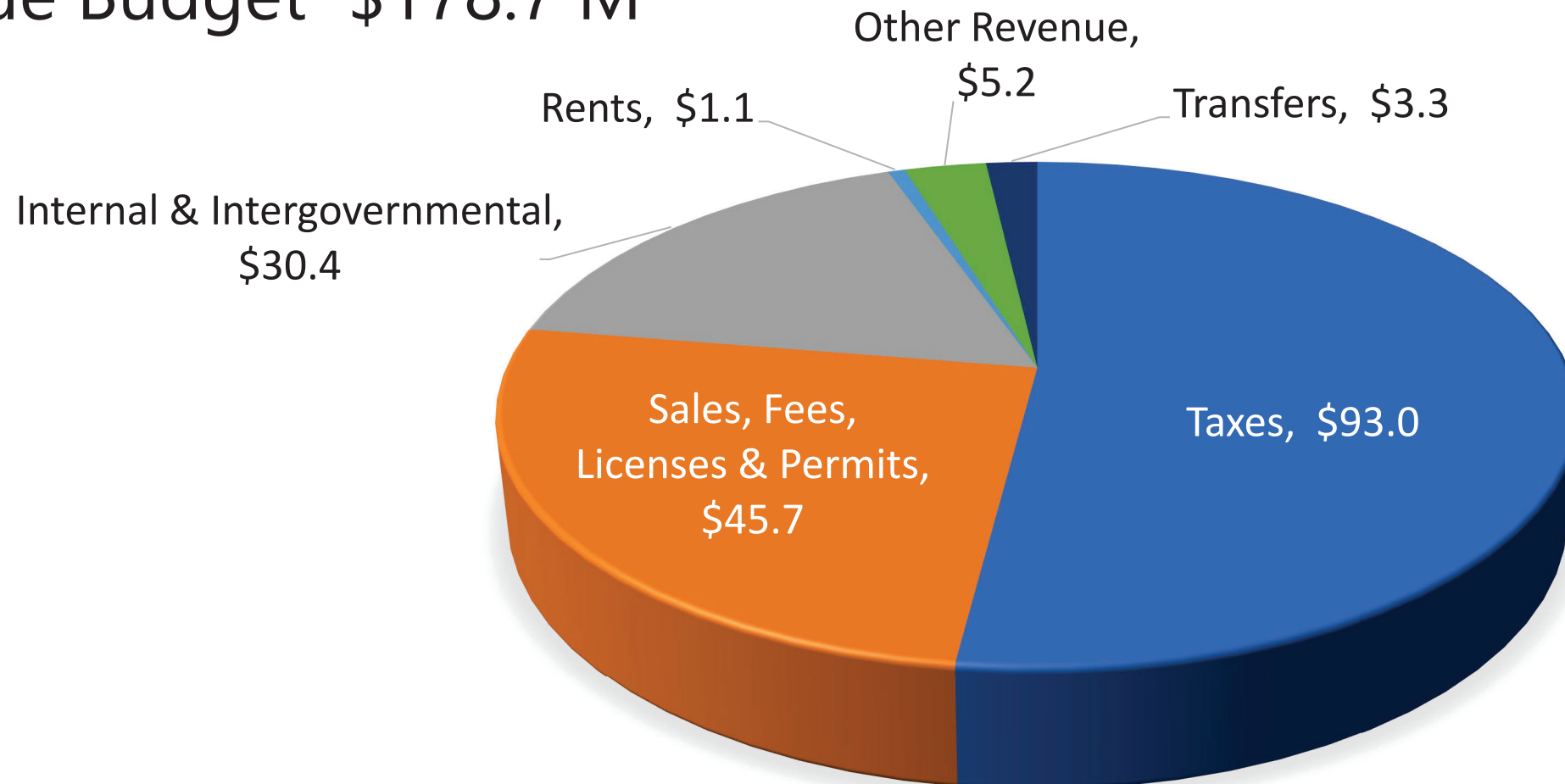


General Fund

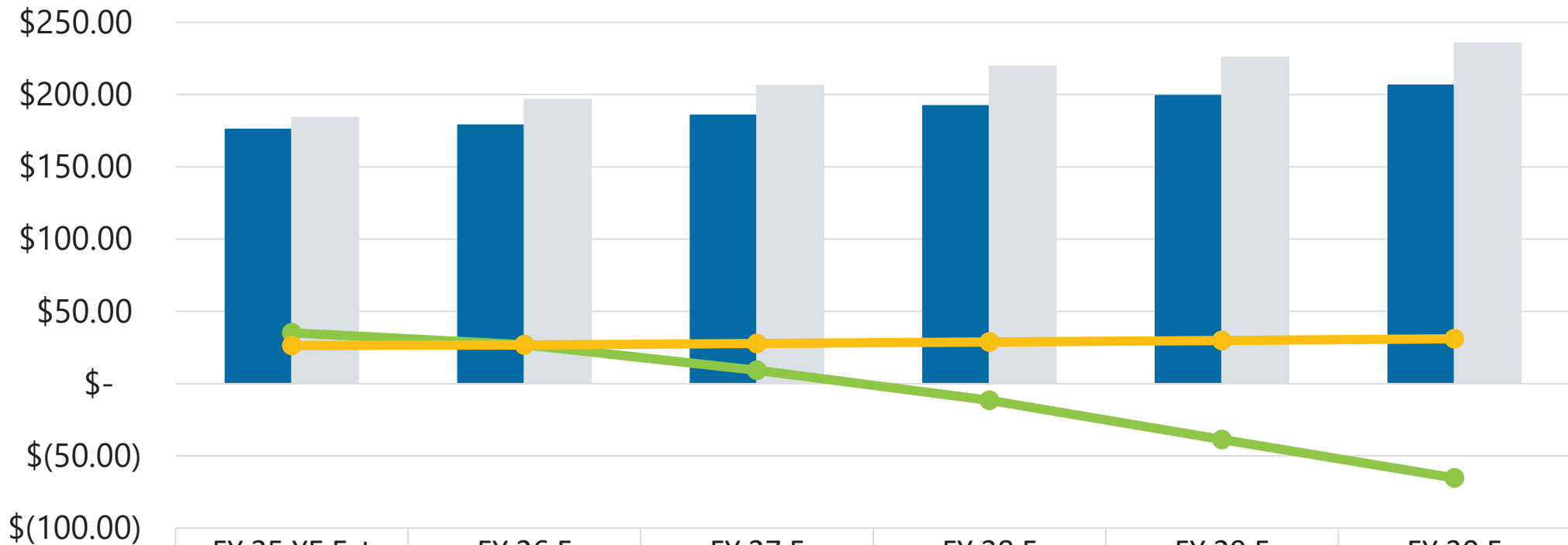
Forecast – Fiscal Year 2026 (Year 1)

Revenue Budget \$178.7 M

In Millions



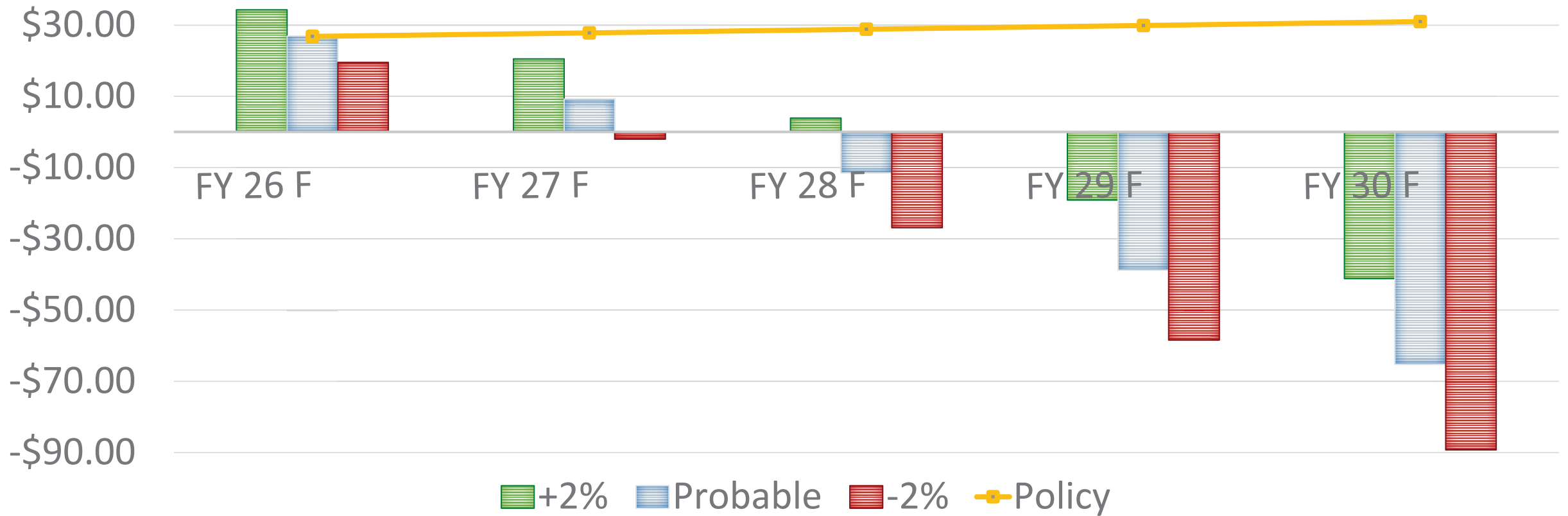
General Fund



	FY 25 YE Est	FY 26 F	FY 27 F	FY 28 F	FY 29 F	FY 30 F
Revenues	\$175.93	\$178.72	\$185.58	\$192.16	\$199.26	\$206.46
Net Expenditures	\$184.09	\$196.41	\$206.31	\$219.40	\$225.72	\$235.36
Beginning Fund Balance	\$35.08	\$26.92	\$9.23	\$(11.50)	\$(38.74)	\$(65.20)
Council Policy	\$26.39	\$26.81	\$27.84	\$28.82	\$29.89	\$30.97

Change in Fund Balance	-\$8.16	-\$17.69	-\$20.73	-\$27.24	-\$26.46	-\$28.90
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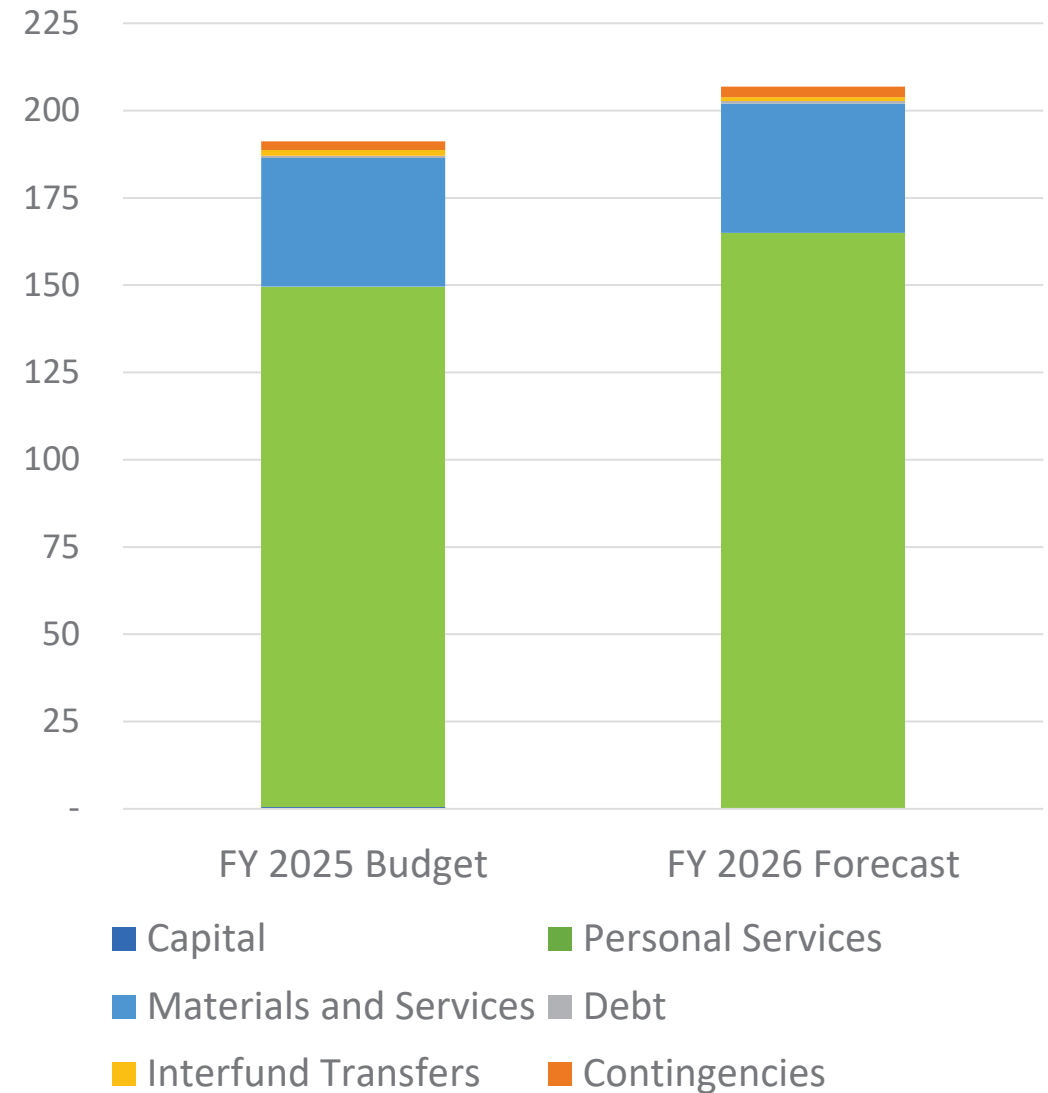
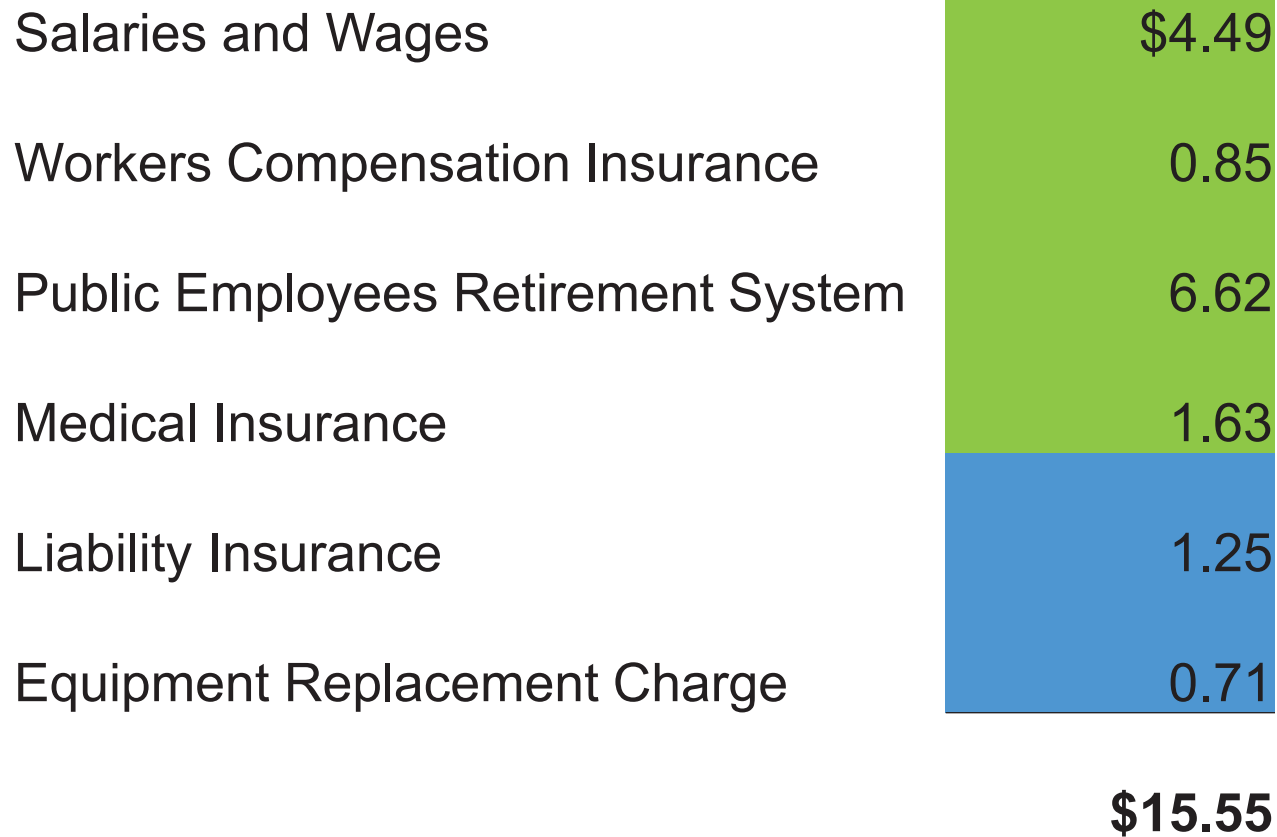
General Fund



General Fund



Major Changes



Questions?



FY 2026 - FY 2030 SUMMARY *(in millions)*

	FY 25 YE Est	FY 26 F	FY 27 F	FY 28 F	FY 29 F	FY 30 F
Beginning Fund Balance	\$ 35.08	\$ 26.92	\$ 9.23	\$ (11.50)	\$ (38.74)	\$ (65.20)
Revenues	\$ 175.93	\$ 178.72	\$ 185.58	\$ 192.16	\$ 199.26	\$ 206.46
TOTAL RESOURCES	\$ 211.01	\$ 205.64	\$ 194.81	\$ 180.66	\$ 160.52	\$ 141.26
Total Expenditures	\$ 184.09	\$ 206.84	\$ 217.12	\$ 228.50	\$ 235.02	\$ 244.95
Unspent Contingency		(2.50)	(2.50)	(2.50)	(2.50)	(2.50)
Estimated Savings		(7.93)	(8.32)	(6.60)	(6.80)	(7.09)
NET EXPENDITURES	\$ 184.09	\$ 196.41	\$ 206.31	\$ 219.40	\$ 225.72	\$ 235.36
Fiscal Year Impact	\$ (8.16)	\$ (17.69)	\$ (20.73)	\$ (27.24)	\$ (26.46)	\$ (28.90)
Ending Fund Balance	\$ 26.92	\$ 9.23	\$ (11.50)	\$ (38.74)	\$ (65.20)	\$ (94.10)

Change to Fund Balance

-\$8.16

-\$17.69

-\$20.73

-\$27.24

-\$26.46

-\$28.90

Priorities and Principles

Budget Committee

October 30, 2024



Budget Committee Role

- **Establish priorities**
 - Staff prepares recommended balanced budget scenarios
- **Review budget scenarios based on priorities**
 - Staff revises budget scenarios
- **Refine budget based on priorities and principles**
 - Staff provides final recommended budget
- **Recommend budget to Council for adoption**

Goals, Priorities, and Operations

FALL/WINTER

Annual Community Report
How we measure progress
Forecasting
Residential Satisfaction Survey

WINTER (January)

City Council Policy Agenda
How does the City achieve its strategic priorities and ensure success?



SPRING (April, May)

City of Salem Budget

Why Priorities?

- **Establish the ideals that an organization's decision makers will adhere to as they develop the budget**
- **Can help counteract the tendency for short-term emotion to drive decisions that have long-term consequences**
- **Identify what is most important to fund**
- **Can help to make tough choices consistently and with outcomes in mind**

Example Budget Priorities

City of Edmonds, WA

- 1. Safety, including fire and emergency medical services, police, and emergency preparedness**
- 2. Environment, including preserving natural assets and resources, climate action and resiliency**
- 3.**
 - Investment in infrastructure, including safe/accessible transportation and connectivity, capital improvements and maintenance
 - Public and Human Services, Edmonds-specific support for our residents in need, including homelessness prevention and resources
 - Livability, creating a welcoming, safe and vibrant environment in our neighborhoods, parks, businesses, and other gathering places
 - Economic Resiliency, including fiscal accountability and collaborative recovery, economic development support across the city

**equally weighted*

Example Budget Priorities

City of Hillsboro, OR

- **Financial Stability** – maintain the financial strength and integrity of the organization.
- **Public Safety** – provide a safe environment for residents to live and play, businesses and their employees to prosper and visitors to enjoy.
- **Economic Vitality** – promote the economic vitality of the community to not only live and play but provide for yourself and for your family.
- **Infrastructure** – provide for the maintenance and development of infrastructure to meet the current and future needs of the community.

Example Budget Principles & Priorities

City of Blaine, MN

Principles

- Evaluate and acknowledge both the short and long-term impacts of all budgetary decisions
- Stabilize revenues and expenditures, and eliminate unanticipated variances
- Fund operations at a level to provide quality services at a reasonable cost
- Preserve structural balance and appropriate fund balance levels to mitigate future risks
- Consider additional investments when they help achieve City goals and provide a significant return to the community
- Seek to make a connection between resources and results

Priorities

- Focusing on essential city services and funding these activities adequately
- Maintaining high quality city operated public safety departments
- Investing in modern technology to improve services and increase efficiency
- Continuing to fund annual street reconstruction/maintenance projects
- Enhancing city parks, trails, open spaces, and facilities
- Fostering an efficient and transparent government
- Promoting citizen engagement

Priority and Decision- Making Sources

- **Priority-based budgeting result areas**
- **2021-25 Strategic plan values and goals**
- **2024 Council policy agenda**
- **Council policies, municipal code, laws and regulations**
- **Organizational priorities and initiatives**

Our Values

COMMUNITY- FOCUSED

We strive to provide high-quality, responsive, and equitable services that meet the needs of our community.

INCLUSIVE

We are committed to ensuring equity and accessibility across city services. We are an anti-racist organization that actively fights against racism and all other forms of discrimination. Diversity is a core strength of our community and we are dedicated to creating a city where everyone—regardless of culture, race, or ability—can thrive.

PROACTIVE

We are innovative, action-oriented, and focused on delivering measurable results to our community. We actively seek and use data to make well-informed decisions.

ACCOUNTABLE

We act with integrity and honesty. We take responsibility for our actions and communicate with residents to ensure transparency.

RESPECTFUL

We strive to create a healthy work environment based on teamwork and mutual respect.

Policy & Strategic Framework

PBB Result Areas

Strategic Goals

Council Policy Agenda

Policy & Strategic Framework

Safe & Healthy
Community

Welcoming &
Livable
Community

Natural
Environment
Stewardship

Safe, Reliable, &
Efficient
Infrastructure

Strong & Diverse
Economy

Good
Governance

Strategic Goals

Council Policy Agenda

Policy & Strategic Framework

Safe & Healthy
Community

Welcoming &
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Community

Natural
Environment
Stewardship

Safe, Reliable, &
Efficient
Infrastructure

Strong & Diverse
Economy

Good
Governance

Addressing
Homelessness

Creating
Community
Resilience

Increasing
Equitable
Delivery of City
Services

Building Great
Neighborhoods

Taking Action on
Climate Change

Council Policy Agenda

Policy & Strategic Framework

Safe & Healthy
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Creating
Community
Resilience

Increasing
Equitable
Delivery of City
Services

Building Great
Neighborhoods

Taking Action on
Climate Change

Sustaining
Infrastructure &
Services

Engaging Our
Community

Planning for Our
Future

Responding to
Our Sheltering
Crisis

Leadership Team Principles (1/3)

An Approach to Fiscal Year 2026 Budget

- **There is a structural gap between the City's revenues and expenses which will lead to a series of service and staffing reductions, over multiple years.**
- **The sooner we begin to address this gap, the greater our flexibility to respond. Make incremental cuts sooner, rather than postponing cuts and making more severe cuts later.**
- **Make strategic cuts rather than across-the-board decreases.**
- **Cuts made to-date have eroded some service areas to the point that additional cuts would render the service ineffective.**

Key Financial Principles

- **As we consider how to balance our services with our community's needs, we know there are services that we can no longer continue to provide our community.**
- **We propose a set of key financial principles to help anchor the FY26 Budget, set to begin July 1, 2025 and end June 30, 2026.**

Leadership Team Principles (2/3)

- **Follow the law**
- **Stay focused on advancing our community's vision**
- **Do not initiate new services without either:**
 - Ensuring that there is sustainable revenue to pay for the services over time, or
 - Making trade-offs of existing services.
- **Do it well or don't do it at all.**
- **Use One-Time Revenues for One-Time Costs or to replenish fund balance**
- **Be good stewards of taxpayer dollars**
- **Take care of employees**
- **Continue the community conversation**

Leadership Team Principles (3/3)

Follow the law

- We must pass a balanced budget.*
- We are required to maintain a sufficient fund balance.**
- Cover the cost of required services.***
- Deliver on voter-approved general obligation bonds.
- Comply with current grant obligations and requirements.

Stay focused on advancing our community's vision****

Do not initiate new services without either:

- Ensuring that there is sustainable revenue to pay for the services over time, or
- Making trade-offs of existing services.

Do it well or don't do it at all

- If service reductions are required, evaluate whether discontinuing the program or service makes more sense.

Use One-Time Revenues for One-Time Costs or to replenish fund balance*****

*ORS 294.305-294.565

** City Council Policy C11-2

*** Federal, State, and City Charter mandates

**** As articulated in plans like the Comprehensive Plan Update (Our Salem), Transportation

System Master Plan (Salem in Motion), Parks System Master Plan, Climate Action Plan, etc.

***** City Council Policy C8

Be good stewards of taxpayer dollars

- Pursue innovative approaches to service delivery
- Preserve infrastructure
- Increase efficiency and effectiveness
- Engage in partnerships and cost-sharing
- Consider reducing services least aligned to Council and community priorities

Take care of employees

- We will anticipate and understand citywide short-term and long-term impacts of discontinuing services and avoid creating higher workloads in one area when we reduce services in another area.
- The City will provide resources to maximize employee productivity, with access to training and certifications.

Continue the community conversation

- Engage our Community, Council, and Budget Committee in conversation about our future.
- Consider adjustments to revenue sources for equity, cost recovery, and support for General Fund services.

Next Steps

