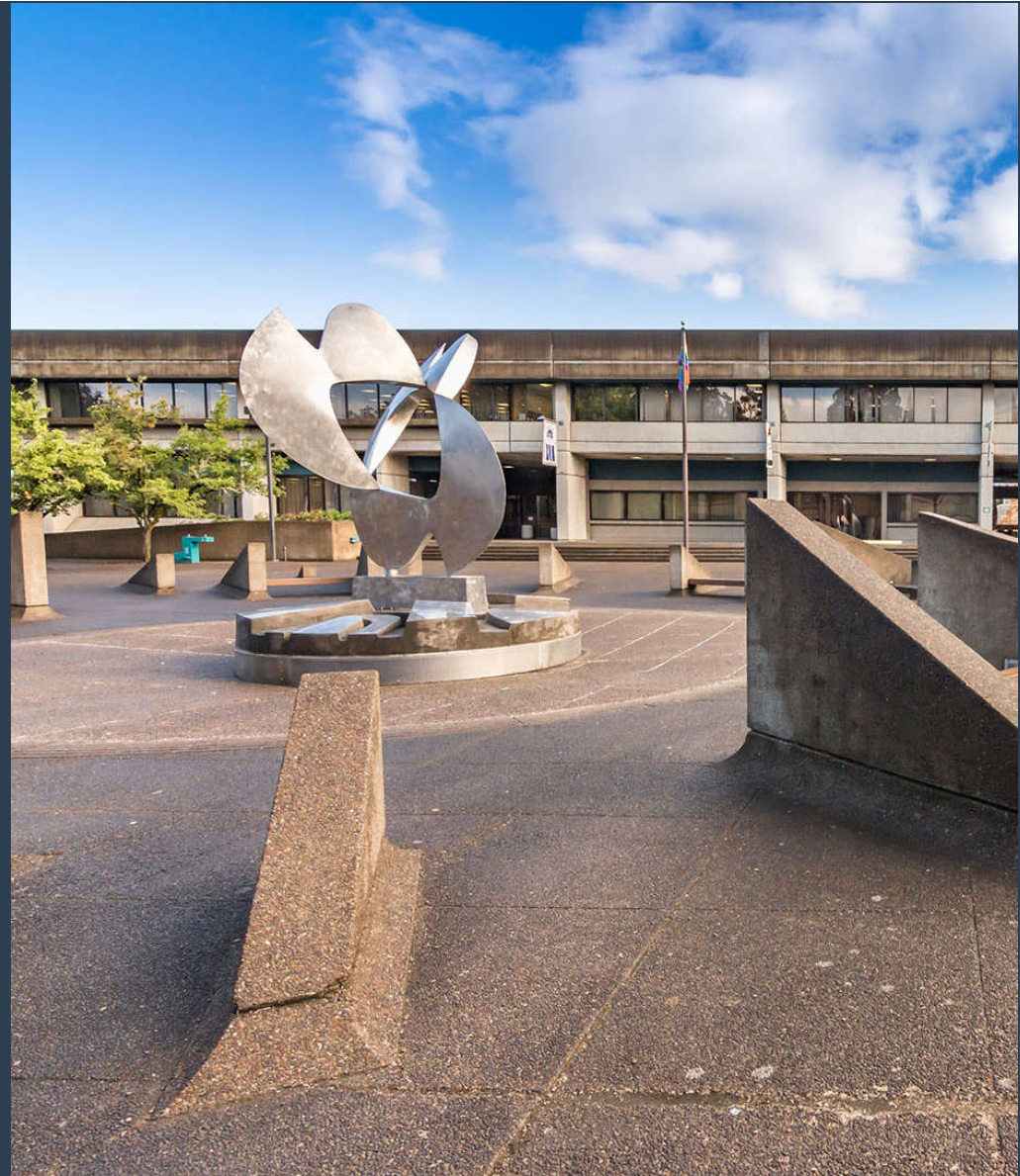


Performance Audit Update

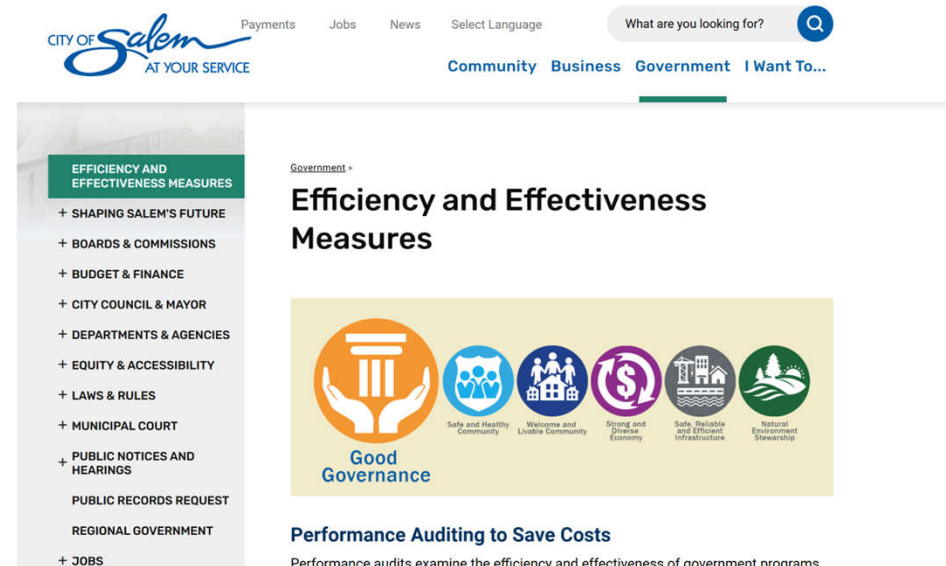
City Council

April 21, 2025



Efficiency and Effectiveness Efforts

- For many years, the City has sought operational and organizational improvements to efficiency and effectiveness of internal and public services
- Since FY2020, more than 30 studies and initiatives were conducted
- Reports can be viewed on the City's website
<https://www.cityofsaalem.net/government/efficiency-and-effectiveness-measures>



Results

- Envisioned and established Customer Service Center
- Implemented technology governance
- Formed Enterprise Services Department
- Updated HR policies and procedures
- Developed performance measures
- Public Works accreditation
- Permitting organizational and operational changes
- Initiated comprehensive review of Police Department policies and procedures
- Implementing recommendations to enhance EMS service and reliability

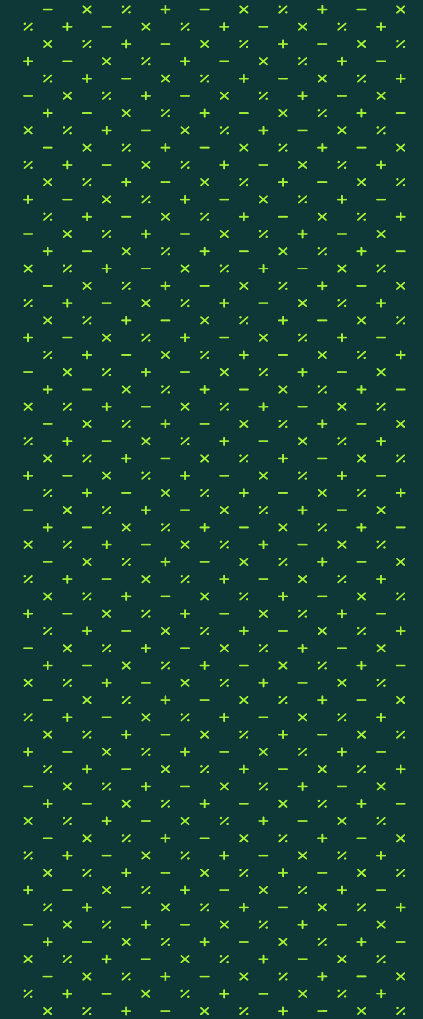


MOSSADAMS

City of Salem: Performance Audit Update

Council Work Session

April 21, 2025



FY25 Performance Audit Work Plan

Topic	Timing	Status
Enterprise Leadership	October-January	Complete
Urban Renewal Agency	December-April	Complete
Risk Management	March-June	In progress
Fire Overtime*	June-February	Future

- The Finance Committee approved a series of performance audits in September 2024
- The audit scopes were developed based on an assessment of risk and opportunity and with input from the Committee
- *Savings were realized across the consultants' program, which enables us to conduct an additional study



What is a Performance Audit?

Performance audits examine the efficiency and effectiveness of government programs with the goal of implementing improvements, often to reduce costs. The principles of a performance audit include:

- Economy: keeping costs down
- Effectiveness: meeting goals and objectives
- Efficiency: getting the most out of available resources

Objectives may vary and could focus on performance, costs, internal controls, compliance, and risk.

Completed under Generally Accepted Government Auditing Standards (GAGAS).



City of Salem

Approved Project Criteria

Risk-based approach based on areas that are:

- Primarily funded by the general fund
- Efficiencies and cost saving opportunities, *as indicated by overall program budget and employee count*
- Have enterprise impact
- Aligned with strategic goals and Council priorities
- Disruption or degradation of service would negatively impact other programs and services
- Mandated by law

Consider organization readiness and capacity as well.



FY 2025 Approved Program

Function	Primary Funding	FY 2025 Budget	FY 2025 FTE	Notes	Status
Enterprise leadership	General Fund	\$1,680,930	6.0	Performance audit approved 9/16/24, completed 2/18/2025	Complete
URA	Direct and General Fund	\$5-6 million in general fund		Performance audit could identify ROI, comparison to best practices, and document sources and uses of funds	Complete
Risk Management	General Fund	\$12,111,110	8.0	Performance audit to assess claims and identify potential risk mitigation opportunities	In progress





Enterprise Leadership Performance Audit

Enterprise Leadership Performance Audit

Overview

This performance audit was designed to examine the City's leadership practices, including:

- Evaluating City leadership's roles, responsibilities, and reporting structure
- Assessing the decision-making processes used by City leadership
- Reviewing communication and prioritization frameworks among City leadership
- Assessing mayoral and City Council support

To conduct this audit, we interviewed staff and stakeholders, reviewed documents, researched best practices, and benchmarked structures, staffing levels, and practices against five peer cities (Beaverton, Bend, Eugene, Gresham, Hillsboro, Medford).



Enterprise Leadership Performance Audit

Key Findings

- Salem has the lowest CMO FTEs per 10,000 residents among peer cities

Metrics	City of Salem	Beaverton	Bend	Eugene	Hillsboro	Gresham	Medford
Population	177,928	101,165	106,184	178,056	107,976	109,423	90,887
CMO FTE	6	10	17	17	29.5	11 FTE, 4 LTE	6
CMO FTE per 10,000 residents	0.34	0.99	1.41	0.95	2.73	1.37	0.66

- Gaps in leadership roles and key functions impact capacity
- Decision-making processes were noted as unclear, with multiple initiatives considered high priority
- The City spends significant time managing constituent requests, which can sometimes be redundant with efforts of others



Enterprise Leadership Performance Audit

Key Recommendations

- Realign resources among the City's executive team
- Re-institute HR and IT Director roles
- Develop a decision-making framework that takes strategic plan alignment, community impact, cost, and staff capacity into consideration
- Implement a project management system that includes a prioritization framework for initiatives
- Establish a centralized request management system to streamline constituent responses across the City





Urban Renewal Agency Performance Audit

URA Performance Audit

Overview

This performance audit was designed to examine the City's URA, including:

- Document the URA's sources and uses of funds
- Evaluate the effectiveness of the City's urban renewal projects in achieving their intended goals and outcomes, including community development and revitalization efforts
- Examine the costs and benefits of Salem's URA, including how the URA's financial structure and operations impact the City's General Fund, particularly in relation to tax increment financing and potential revenue shifts

To conduct this audit, we interviewed staff, reviewed documents, and researched best practices.



URA Performance Audit

Key Findings

- The City's urban renewals areas have generated an increase of at least \$1.1 billion in assessed valuation and \$413 million in private investment to support redevelopment
- The impacts of the urban renewal areas are underestimated because they do not reflect economic, social, and environmental factors
- There is not a strategic framework in place to guide upcoming urban renewal area decisions
- The URA's process for reimbursing the City for costs associated with providing support to the URA does not adequately cover all City costs dedicated to the URA



URA Performance Audit

Key Recommendations

- As staff capacity allows, integrate additional performance evaluation methods such as cost effective analyses, performance measures, and project progress into reporting
- Develop a strategic framework to guide future URA decisions
- Revise the cost reimbursement methodology to more accurately reflect direct and indirect costs associated with City services provided to the URA





Risk Services Performance Audit

Risk Services Performance Audit

Overview

This performance audit was designed to evaluate the cost effectiveness of Risk Services at the City, including:

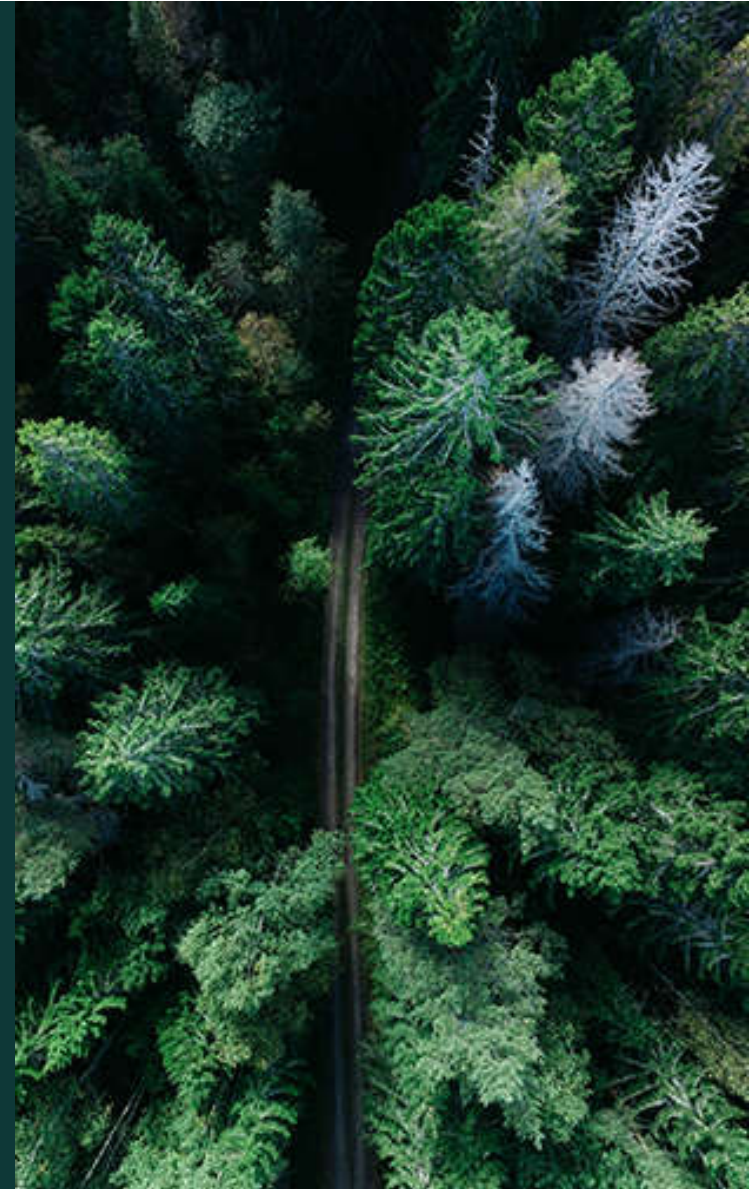
- Assess the City's self-insurance model against industry best practices to determine its cost-effectiveness in providing these services
- Review claim trends over the last 10 fiscal years for both the Workers' Compensation and Liability programs, focusing on mitigation strategies to reduce costs and improve outcomes
- Review the City's practices in place for litigation support
- Analyze how the Self-Insurance Risk Fund is financed

Anticipated completion date: June 2025



Next Steps

- Complete FY25 performance audits:
 - Risk Management
 - Fire Overtime
- Finance Committee discussion of potential FY26 performance audit program





THANK
YOU

