

CITY OF SALEM FINANCIAL PERFORMANCE YEAR END / FY 2024

The City's funds can be broken down into four categories: Governmental, Proprietary, Capital, and Debt funds. Governmental funds are those supported by taxes and fees that provide community wide benefit. Proprietary funds operate like a business and are capable of adjusting their fee for service to cover their costs but are not directly supported by taxes. Finally, Capital and Debt funds facilitate the financing of large projects throughout the City like road construction and building renovations.

| | Positive Impact | Negative Impact <10% | Negative Impact >10% |
|----------------------------|--------------------------|-------------------------|------------------------|
| | Year over Year Resources | Year over Year Expenses | Change in Fund Balance |
| Governmental Funds: | 1.71% | 5.28% | -6.19% |
| Proprietary Funds: | 5.17% | 7.66% | 0.61% |
| Capital Funds: | -10.68% | -29.45% | -1.19% |
| Debt Fund: | 8.54% | 6.68% | 23.13% |

Specific Fund Watchlist

The City's Finance staff have identified several funds that are on a "watch" list and anticipate continued financial challenges.

| | | | |
|----------------------|-------|-------|--------|
| General Fund: | 3.91% | 5.76% | -4.23% |
|----------------------|-------|-------|--------|

Expenses are anticipated to continue to outpace revenues in the General Fund until a sustainable source of revenue can be identified.

| | | | |
|--------------------------------------|-------|--------|--------|
| Transportation Services Fund: | 1.69% | -4.97% | 17.64% |
|--------------------------------------|-------|--------|--------|

The Transportation Services Fund is primarily funded through state gas tax which is projected to decline in the coming years.

| | | | |
|----------------------|--------|--------|--------|
| Airport Fund: | 38.97% | 75.95% | -6.90% |
|----------------------|--------|--------|--------|

Commercial Air Service has required significantly more funding, partially supported by the General Fund. The City's goal is to eventually have sustainable operations at the airport as new revenue streams mature.

| | | | |
|----------------------------------|--------|--------|---------|
| Risk Self Insurance Fund: | -3.56% | 50.49% | -70.84% |
|----------------------------------|--------|--------|---------|

In recent years, insurance premiums and claims have increased significantly, causing higher expenses that have lowered the Fund's reserve balance.

| | | | |
|-------------------------------|-------|--------|---------|
| Downtown Parking Fund: | 3.62% | 10.70% | -33.24% |
|-------------------------------|-------|--------|---------|

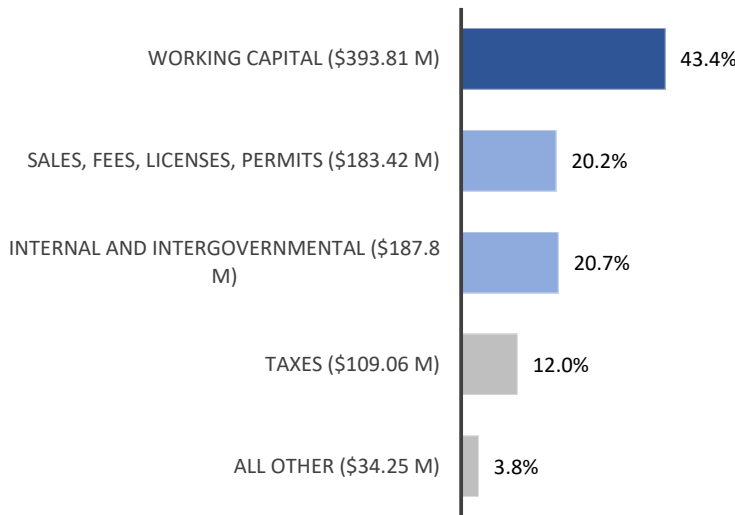
The Downtown Parking Fund has been in a structural decline for several years. The City is anticipating a change in the funding system in this fund with the introduction of paid on street parking in the next few years.

CITY OF SALEM FINANCIAL PERFORMANCE YEAR END / FY 2024

This financial summary provides FY 2024 year-end results that include July 2023 through June 2024. Notable occurrences are identified, described, and graphically illustrated through budget-to-actual and actual-to-actual comparisons. In addition, many comparisons extend to multiple fiscal years to augment context for FY 2024 activity.

Citywide Results - All Funds

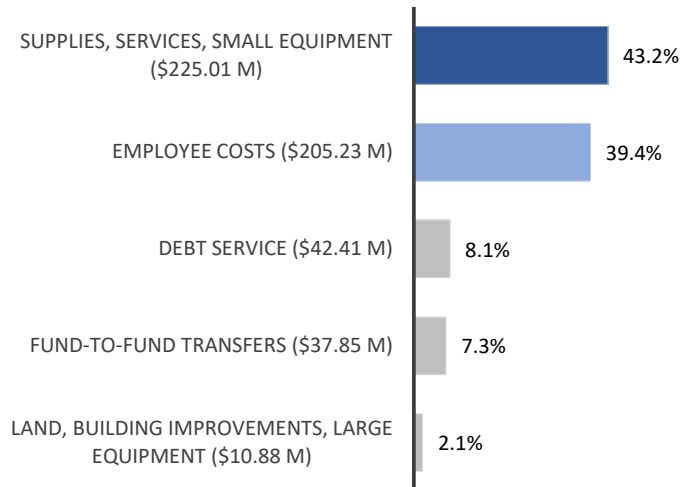
Total Resources of \$908.35 Million



This view of Citywide resources reveals the prominence of *Working Capital*—or cash-on-hand—at 43.4 percent of all resources and funds. This is an increase from 33.9 percent from the prior year. *Taxes* include property tax for General Fund operations and levies to pay debt service on voter-approved general obligation bonds, transient occupancy tax, and local marijuana sales tax. The category with *Sales, Fees* includes consumer-paid fees for water / sewer, franchise fees, building permits, and system development charges. *Internal and Intergovernmental* includes employer-paid insurance premiums, state shared revenues, and grants. *All Other* includes non-operating dollars like bond proceeds, sale of assets and rents.

Total Expenditures of \$521.38 Million

Everything associated with the cost of more than 1,344 full-time equivalent employees by fiscal year end—wages, overtime, insurances, and retirement benefits—is included in *Employee Costs*. 71.0 percent of *Supplies, Services, Small Equipment* were expended in just five of the City’s 25 funds—Capital Improvements, Self Insurance Risk, Self Insurance Benefits, Utility, and General Fund.



BY THE NUMBERS Expenditures

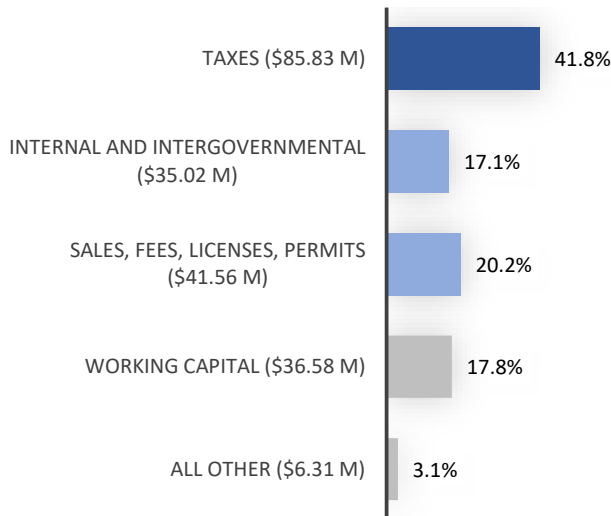
Total personnel expenditures increased by 7.99 percent year over year. The increase in total expenditures is influenced by both anticipated cost escalators and mid-year adjustments, mid year position changes and labor contract / market adjustments to salaries, the corresponding increase to PERS expense, and health benefits expense. Materials and services experienced a decrease in expenditures of 4.11 percent year over year due to the completion of large construction projects like the Public Works Operations Building.

CITY OF SALEM FINANCIAL PERFORMANCE YEAR END / FY 2024

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General Fund Results

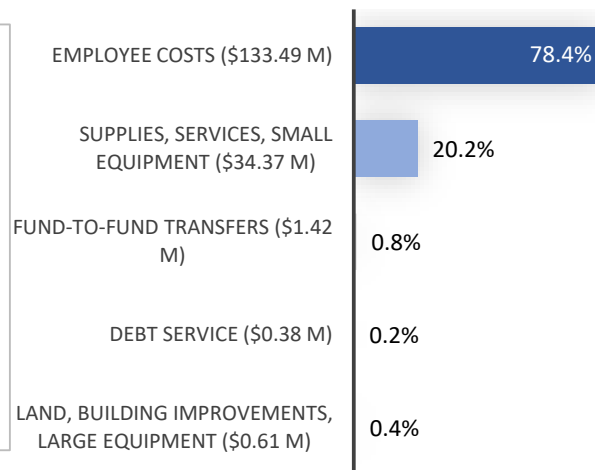
Total Resources of \$205.3 Million



Total resources for FY 2024 in the General Fund equal \$205.3 million, representing \$36.58 million in working capital and \$168.72 million in new revenues. This represents a decreased from the prior year of \$4.1M in working capital. Property taxes account for \$84.4 million in the category, *Taxes*, with the remaining \$1.40 million from the City’s sales tax on marijuana. *Sales, Fees, Licenses, Permits* includes over \$21.7 million in franchise fees, \$13.76 million from the City’s operation fee, \$1.90 million in planning-related revenues, and \$220,127 from the City’s ambulance contractor. Internal charges, including the cost for support services assessed to other City funds for services housed in the General Fund— such as Legal, Human Resources, Finance, and Information Technology— provide over \$11.3 million of the \$35.02 million for the *Internal and Intergovernmental* category. Revenues shared by the State of Oregon add another \$6.63 million. *All Other* revenue includes \$416 thousand in parking fines and almost \$2.59 million in court fines and photo radar enforcement fines.

Total Expenditures of \$170.27 Million

The City’s General Fund maintains the services of fire emergency response, municipal court, parks maintenance, police, multi-generational recreation programs, long range and current planning, code enforcement, social services program aid, Salem Public Library, and the support services that benefit all City departments and funds. At year end, expenditures for these services equaled \$170.27 million, representing a 5.76 percent increase over FY 2023. The largest expense for the General Fund are the employees that correspond with the fund. Rather than other funds, such as the Utility which are capital heavy, the General Fund’s main expenditures are for personnel related items like salaries, benefits, retirement, etc.



Future Outlook

FY 2024 expenditures exceed revenues by \$1.55 million, reducing available Working Capital. The trend of expenditures rising faster than revenue is on track to continue in future years. Despite reductions made in the current year, the City is projected to be out of compliance with the General Fund balance policy in FY 2025 and unable to adopt a status quo budget in FY 2026. Assuming no new revenue, additional reductions will be needed to balance the General Fund. Additionally, FY 2025 programs (library, splash pads, kids relays and movies in the park) funded through the budget process with one-time monies from the Cultural and Tourism Fund will need different revenue sources for future years.

CITY OF SALEM FINANCIAL PERFORMANCE YEAR END / FY 2024

General Fund Revenues

| | | Actual to Budget | Year-over-Year |
|--|--|-------------------------|-----------------------|
| <p>Property Tax—In FY 2024, the largest revenue source for the General Fund, received 3.5% more revenue than last year's actuals. The total revenues year-over-year increase was \$2.87 million.</p> | <p>71.15 74.54 77.82 81.56 84.43 FY 2020 FY 2021 FY 2022 FY 2023 FY 2024</p> | 100.5% | 3.5% |
| <p>Franchise Fees—Telephone fees decline 7.95% and Cable TV fees declined 12.45%. Electric fees, natural gas, refuse hauler fees, and water/sewer fees all increased for a total increase year-over-year of 3.9%.</p> | <p>18.09 18.82 19.96 20.89 21.70 FY 2020 FY 2021 FY 2022 FY 2023 FY 2024</p> | 100.6% | 3.9% |
| <p>Internal Charges—Less-than-anticipated revenues are offset with savings from vacant positions. A lower vacancy rate would have generated additional internal reimbursement revenues. However, the year-over-year increase was 13.1%.</p> | <p>17.44 17.75 19.51 20.88 23.61 FY 2020 FY 2021 FY 2022 FY 2023 FY 2024</p> | 99.1% | 13.1% |
| <p>Marijuana Sales Tax—After several years of growth, starting FY 2023, there was a reduction in marijuana revenue. Approximately \$100 thousand more came into the General Fund - a year-over-year increase of 8%.</p> | <p>1.16 1.58 1.78 1.30 1.40 FY 2020 FY 2021 FY 2022 FY 2023 FY 2024</p> | 84.7% | 8.0% |
| <p>State Shared Revenues—After several years of relatively stable revenues, FY 2024 dipped by \$88 thousand, a decrease of 1.1%.</p> | <p>6.80 7.58 7.44 7.89 7.80 FY 2020 FY 2021 FY 2022 FY 2023 FY 2024</p> | 97.6% | -1.1% |
| <p>Fees, Permits—While there was a decrease in Planning Fees and Fires Safety Permits, an increase in City Operations Fee supported a net increase of 35.4% over FY 2023.</p> | <p>8.51 12.70 15.20 14.66 19.85 FY 2020 FY 2021 FY 2022 FY 2023 FY 2024</p> | 94.2% | 35.4% |
| <p>Other Agencies, Grants, All Other Revenue—A FEMA grant for Parks was offset by decreases in State revenues. Along with higher Interest of \$450 thousand and slight increases in Other Fines & Forfeits, Civil Penalties & Chemeketa Community College, and a decrease in Parking Fines of \$145 thousand, bring the total increase to 2.2% over FY 2023.</p> | <p>10.79 15.56 19.93 9.71 9.92 FY 2020 FY 2021 FY 2022 FY 2023 FY 2024</p> | 129.9% | 2.2% |
| <p>Beginning Fund Balance—Fund Balance decreased by \$4.10 million in FY 2024 due expenditures exceeding resources as previous years' one time funds have been eliminated. This is a 10.1% reduction in Beginning Fund Balance and represents 2.10% of expenditures.</p> | <p>22.20 24.97 30.91 40.68 36.58 FY 2020 FY 2021 FY 2022 FY 2023 FY 2024</p> | 95.0% | -10.1% |

CITY OF SALEM FINANCIAL PERFORMANCE YEAR END / FY 2024

General Fund Expenditures by Department

| Expenditures by Department (in millions) | Personal Services | Materials Services | Capital Outlay | Interfund Transfers | Debt | Actual to Budget | Year - over - Year |
|---|----------------------|-----------------------|-------------------|------------------------|----------------|---------------------|--------------------------|
| Mayor & Council | \$ - | \$ 0.37 | \$ - | \$ - | \$ - | 90.9% | 36.5% |
| Municipal Court | 1.56 | 0.67 | - | - | - | 84.8% | 3.6% |
| City Manager | 1.14 | 0.10 | - | - | - | 83.6% | -32.0% |
| Human Resources | 2.08 | 0.30 | - | - | - | 84.0% | -18.9% |
| Customer Service Center | 0.77 | 0.05 | - | - | - | 81.1% | 1.8% |
| Legal | 2.65 | 0.24 | - | 0.02 | - | 95.0% | 15.6% |
| Finance | 3.35 | 0.32 | - | - | - | 89.1% | 13.0% |
| Parks and Recreation | 9.03 | 3.76 | 0.17 | 0.11 | - | 94.1% | 10.9% |
| Facilities Services | 3.50 | 1.56 | 0.01 | 0.12 | - | 94.4% | -0.2% |
| Community Development | 4.47 | 0.96 | - | 0.15 | - | 85.1% | -8.0% |
| Library | 3.95 | 0.83 | - | - | - | 88.1% | -9.5% |
| Police | 45.68 | 11.85 | 0.02 | - | - | 97.1% | 8.8% |
| Fire | 42.97 | 6.30 | 0.24 | - | - | 99.8% | 10.0% |
| Information Technology | 9.46 | 2.19 | 0.18 | - | - | 88.5% | 9.2% |
| Non Departmental | 0.02 | 4.05 | - | 1.03 | 0.38 | 67.8% | -17.7% |
| Urban Development | 2.86 | 0.82 | - | - | - | 85.4% | 4.3% |
| Total Expenditures | \$ 133.49 | \$ 34.37 | \$ 0.61 | \$ 1.42 | \$ 0.38 | | |

**BY THE NUMBERS
Expenditures**

General Funded FY 2024 year-end expenditures total \$170.27 million which is \$11.25 million or 6.2 percent lower than the adopted budget. The 5.76 percent year-over-year increase in total is influenced by cost escalators, such as labor contract / mid-year market adjustments to salaries, the corresponding increase to PERS expense, and health benefits expense. Differences are also influenced by changes in position vacancy rates and the timing of materials and services expenses. FY 2024 reflects the reductions in the Supplemental

CITY OF SALEM FINANCIAL SUMMARY YEAR END / FY 2024

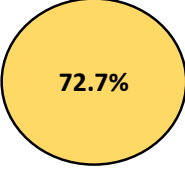

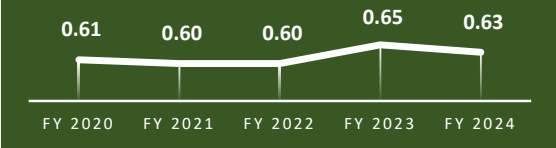
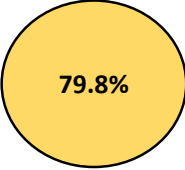
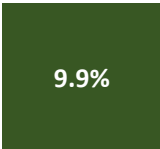
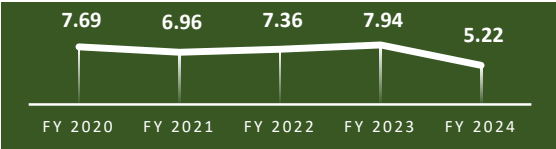


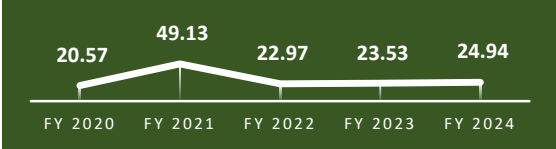
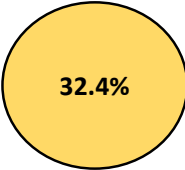

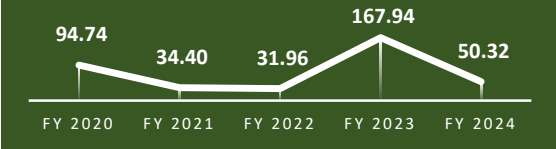
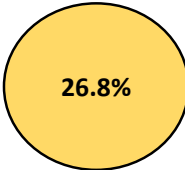
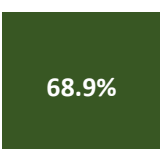
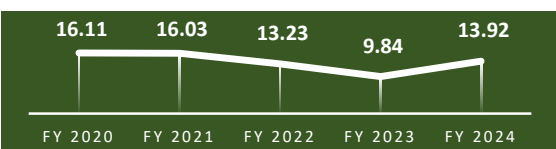
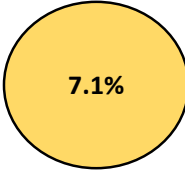

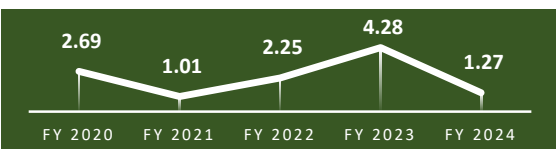
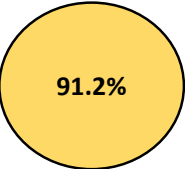

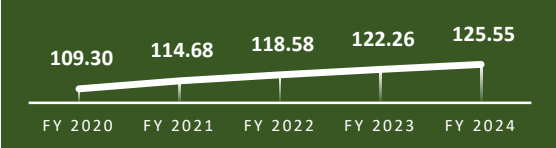
Other Funds (in millions)

| Expenditures by Fund (in millions) | Actual to Budget - FY 2024 | Year - over - Year | Fund Revenues 5-Year Trend, FY 2020-FY 2024 |
|--|----------------------------------|--------------------------|---|
| Transportation Services \$ 17.70 | 87.6% | -5.0% | |
| Personal Services 7.39 | | | |
| Materials / Services 9.36 | | | |
| Capital Outlay 0.39 | | | |
| Interfund Transfers 0.55 | | | |
| Streetlight \$ 2.05 | 81.7% | 1.2% | |
| Materials / Services 1.14 | | | |
| Interfund Transfers 0.70 | | | |
| Debt 0.21 | | | |
| Airport \$ 2.41 | 87.6% | 76.0% | |
| Personal Services 0.99 | | | |
| Materials / Services 1.21 | | | |
| Debt 0.21 | | | |
| Community Renewal \$ 4.63 | 40.9% | -7.1% | |
| Materials / Services 4.60 | | | |
| Interfund Transfers 0.03 | | | |
| Downtown Parking \$ 1.07 | 99.5% | 10.7% | |
| Materials / Services 1.07 | | | |
| Cultural and Tourism \$ 5.07 | 88.5% | 16.4% | |
| Materials / Services 3.24 | | | |
| Interfund Transfers 1.83 | | | |
| Public Art \$ 0.00 | 0.5% | -47.9% | |
| *Materials / Services 0.00 | | | |
| *Total FY 2024 Public Art expense was \$394 | | | |
| Tourism Promotion Area \$ 1.03 | 76.6% | 2.3% | |
| Materials / Services \$ 1.03 | | | |

CITY OF SALEM FINANCIAL SUMMARY YEAR END / FY 2024

Other Funds (in millions)

Expenditures by Fund
(in millions)

| | | Actual to Budget - FY 2024 | Year - over - Year | Fund Revenues 5-Year Trend, FY 2020-FY 2024 |
|----------------------------------|------------------|---|--|---|
| Parking Leasehold | \$ 0.70 |  72.7% |  22.9% |  |
| Materials / Services | 0.40 | | | |
| Interfund Transfers | 0.30 | | | |
| Building and Safety | \$ 6.67 |  79.8% |  9.9% |  |
| Personal Services | 4.19 | | | |
| Materials / Services | 1.97 | | | |
| Interfund Transfers | 0.50 | | | |
| General Debt | \$ 24.27 |  100.0% |  6.7% |  |
| Debt | 24.27 | | | |
| Capital Improvements | \$ 51.85 |  32.4% |  -39.8% |  |
| Materials / Services | 45.33 | | | |
| Capital Outlay | 3.57 | | | |
| Interfund Transfers | 2.95 | | | |
| Extra Capacity Facilities | \$ 15.17 |  26.8% |  68.9% |  |
| Materials / Services | 14.79 | | | |
| Interfund Transfers | 0.38 | | | |
| Development Districts | \$ 0.74 |  7.1% |  -21.2% |  |
| Materials / Services | 0.74 | | | |
| Utility | \$ 127.15 |  91.2% |  3.5% |  |
| Personal Services | 42.55 | | | |
| Materials / Services | 40.46 | | | |
| Capital Outlay | 1.53 | | | |
| Interfund Transfers | 25.26 | | | |
| Debt | 17.33 | | | |

CITY OF SALEM FINANCIAL SUMMARY YEAR END / FY 2024

Other Funds (in millions)

| Expenditures by Fund (in millions) | Actual to Budget - FY 2024 | Year - over - Year | Fund Resources 5-Year Trend, FY 2020-FY 2024 | | | | | | | | | | | | |
|---------------------------------------|----------------------------------|--------------------------|---|-------|-------|------|------|------|------|-------|-------|-------|-------|-------|-------|
| Emergency Services | \$ 7.71 | | | | | | | | | | | | | | |
| Personal Services | 0.56 | 95.4% | 50.4% | | | | | | | | | | | | |
| Materials / Services | 4.77 | | | | | | | | | | | | | | |
| Interfund Transfers | 2.33 | | | | | | | | | | | | | | |
| Capital | 0.05 | | | | | | | | | | | | | | |
| | | | <table border="1"> <tr><th>FY</th><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td></tr> <tr><th>Value</th><td>0.90</td><td>0.89</td><td>3.09</td><td>4.97</td><td>7.94</td></tr> </table> | FY | 2020 | 2021 | 2022 | 2023 | 2024 | Value | 0.90 | 0.89 | 3.09 | 4.97 | 7.94 |
| FY | 2020 | 2021 | 2022 | 2023 | 2024 | | | | | | | | | | |
| Value | 0.90 | 0.89 | 3.09 | 4.97 | 7.94 | | | | | | | | | | |
| WVCC | \$ 13.67 | | | | | | | | | | | | | | |
| Personal Services | 11.12 | 84.7% | 0.7% | | | | | | | | | | | | |
| Materials / Services | 2.13 | | | | | | | | | | | | | | |
| Interfund Transfers | 0.43 | | | | | | | | | | | | | | |
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| FY | 2020 | 2021 | 2022 | 2023 | 2024 | | | | | | | | | | |
| Value | 11.50 | 12.42 | 13.31 | 13.95 | 14.54 | | | | | | | | | | |
| Police Regional Records | \$ 0.44 | | | | | | | | | | | | | | |
| Materials / Services | 0.40 | 94.2% | 25.4% | | | | | | | | | | | | |
| Capital | 0.03 | | | | | | | | | | | | | | |
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| FY | 2020 | 2021 | 2022 | 2023 | 2024 | | | | | | | | | | |
| Value | 0.44 | 0.45 | 0.47 | 0.49 | 0.96 | | | | | | | | | | |
| City Services | \$ 12.54 | | | | | | | | | | | | | | |
| Personal Services | 2.92 | 87.2% | 4.6% | | | | | | | | | | | | |
| Materials / Services | 9.37 | | | | | | | | | | | | | | |
| Capital Outlay | 0.24 | | | | | | | | | | | | | | |
| | | | <table border="1"> <tr><th>FY</th><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td></tr> <tr><th>Value</th><td>10.51</td><td>10.07</td><td>9.88</td><td>11.98</td><td>12.90</td></tr> </table> | FY | 2020 | 2021 | 2022 | 2023 | 2024 | Value | 10.51 | 10.07 | 9.88 | 11.98 | 12.90 |
| FY | 2020 | 2021 | 2022 | 2023 | 2024 | | | | | | | | | | |
| Value | 10.51 | 10.07 | 9.88 | 11.98 | 12.90 | | | | | | | | | | |
| Self Insurance Benefits | \$ 31.97 | | | | | | | | | | | | | | |
| Personal Services | 0.87 | 84.9% | 4.9% | | | | | | | | | | | | |
| Materials / Services | 31.10 | | | | | | | | | | | | | | |
| | | | <table border="1"> <tr><th>FY</th><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td></tr> <tr><th>Value</th><td>26.95</td><td>27.21</td><td>27.46</td><td>28.26</td><td>31.46</td></tr> </table> | FY | 2020 | 2021 | 2022 | 2023 | 2024 | Value | 26.95 | 27.21 | 27.46 | 28.26 | 31.46 |
| FY | 2020 | 2021 | 2022 | 2023 | 2024 | | | | | | | | | | |
| Value | 26.95 | 27.21 | 27.46 | 28.26 | 31.46 | | | | | | | | | | |
| Self Insurance Risk | \$ 9.53 | | | | | | | | | | | | | | |
| Personal Services | 1.13 | 87.0% | 50.5% | | | | | | | | | | | | |
| Materials / Services | 8.40 | | | | | | | | | | | | | | |
| | | | <table border="1"> <tr><th>FY</th><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td></tr> <tr><th>Value</th><td>4.26</td><td>2.35</td><td>3.67</td><td>4.22</td><td>5.93</td></tr> </table> | FY | 2020 | 2021 | 2022 | 2023 | 2024 | Value | 4.26 | 2.35 | 3.67 | 4.22 | 5.93 |
| FY | 2020 | 2021 | 2022 | 2023 | 2024 | | | | | | | | | | |
| Value | 4.26 | 2.35 | 3.67 | 4.22 | 5.93 | | | | | | | | | | |
| Equipment Replacement | \$ 4.79 | | | | | | | | | | | | | | |
| Materials / Services | 0.44 | 17.8% | 106.4% | | | | | | | | | | | | |
| Capital Outlay | 4.34 | | | | | | | | | | | | | | |
| | | | <table border="1"> <tr><th>FY</th><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td></tr> <tr><th>Value</th><td>4.57</td><td>3.45</td><td>9.12</td><td>3.87</td><td>9.15</td></tr> </table> | FY | 2020 | 2021 | 2022 | 2023 | 2024 | Value | 4.57 | 3.45 | 9.12 | 3.87 | 9.15 |
| FY | 2020 | 2021 | 2022 | 2023 | 2024 | | | | | | | | | | |
| Value | 4.57 | 3.45 | 9.12 | 3.87 | 9.15 | | | | | | | | | | |
| Trust and Agency | \$ 9.95 | | | | | | | | | | | | | | |
| Materials / Services | 8.67 | 61.9% | 5.2% | | | | | | | | | | | | |
| Capital Outlay | 0.11 | | | | | | | | | | | | | | |
| Interfund Transfers | 1.18 | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| | | | <table border="1"> <tr><th>FY</th><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td></tr> <tr><th>Value</th><td>2.13</td><td>1.38</td><td>22.28</td><td>11.22</td><td>5.96</td></tr> </table> | FY | 2020 | 2021 | 2022 | 2023 | 2024 | Value | 2.13 | 1.38 | 22.28 | 11.22 | 5.96 |
| FY | 2020 | 2021 | 2022 | 2023 | 2024 | | | | | | | | | | |
| Value | 2.13 | 1.38 | 22.28 | 11.22 | 5.96 | | | | | | | | | | |