



City of Salem
PEER CITY FINANCIAL RESEARCH

March 30, 2023

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SUMMARY

Moss Adams was tasked with researching the financial condition of other cities in Oregon to provide additional context to the current budget discussions in the City of Salem. We examined budget documents, city council and committee materials, and other publicly available documents for the following peer cities, presented by population size:

- Eugene
- Gresham
- Hillsboro
- Bend
- Springfield
- Corvallis

As expected, the review of peer cities' financial conditions indicates that the state's structural problems with property tax funding, created by Measures 5 and 50 in the 1990's, have reached a point of critical concern for municipalities. Cities throughout the state are figuring out how to afford additional services demanded by growing communities while revenues are constrained by state law. Although the specifics of each City's financial condition and service needs are unique, each reflects the state's increasingly adverse environment for municipal funding.

Because cities differ by which financial documents they make publicly available, and because cities are at different stages in their current budget processes, the information on each City's financial condition varies by type and level of detail. Nevertheless, the available information illustrates that the financial issues faced by the City of Salem are shared by many of its peers.



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	Eugene	Gresham	Hillsboro	Bend	Springfield	Corvallis
Current or Projected Deficit?	Yes	Yes	Yes	Yes	Yes	Yes
General Fund Deficit Amount	2023-2025 Budget Cycle: \$15M - \$20M	FY24: \$9,400,000 FY26: \$15,295,000	FY25: ≈\$5,000,000	2023-2025 Budget Cycle: ≈\$11,000,000	FY23: \$566,465	FY23: \$7,101,000
Additional Revenues or Service Cutbacks Being Considered?	Yes	Yes	Yes	Yes	Yes	Yes
Revenue Tools in Use, or Being Considered, to Address Deficits	<ul style="list-style-type: none"> • Payroll tax • Multiple local option levies must soon be renewed to meet baseline funding assumptions • If levies are rejected by voters, deficit would sharply increase 	<ul style="list-style-type: none"> • Local option levy • Increases to city operations fees • Streetlight fees • Dispatch fees • Parks utility fee 	<ul style="list-style-type: none"> • Unclear • Multiple local option levies must be renewed in coming years to maintain current deficit projections 	<ul style="list-style-type: none"> • Local option levy is on the May 2023 ballot, but will not be enough by itself to close the city's funding gap • Transportation fee increases 	<ul style="list-style-type: none"> • Local option levy • FY23 budget highlights that new revenues must be adopted, or services must be cut, in the coming years 	<ul style="list-style-type: none"> • Local option levy must be renewed to maintain current levels of funding • Large operations service fee increases were implemented in FY23



CITY DETAILS

EUGENE

Eugene is in the process of addressing a budget gap of \$15 - \$20 million in the general fund. The city's general fund is forecasted to have an operating deficit of about \$6 million in FY23, and this deficit will grow to approximately \$11 million in FY24.

The city is currently considering significant reduction strategies to address these deficits. By implementing these reductions, the city believes it can shrink its general fund annual operating deficit to approximately \$5 million by FY24 and \$0 by FY25.

Eugene currently has a payroll tax and two local operating levies: one for library operations and another for parks and recreation operations. These levies must be renewed in the coming years for the city to maintain its current deficit projections. If voters reject these local option levy renewals, the city's deficits would sharply increase.

GRESHAM

Gresham faces a \$9.5 million operational deficit in FY24, and this deficit is projected to grow to \$15,295,000 in FY26. The city faces this increasing deficit despite significant measures in recent years to contain costs. Over the last two years, the Gresham has cut 31 positions.

To maintain current service levels and avoid layoffs, the City of Gresham is aiming to increase general fund revenues by \$11.9 million per year over the next three years. To implement the service goals outlined in the City's strategic plan and to improve service levels, the Gresham will need to increase revenues by \$16.3 million per year over the next three years.

The city is considering a number of revenue increases to avoid significant layoffs and reductions in service, including:

- A local option levy for operations beginning in FY24
- Indexing city fees to inflation
- Significant increases to the city services fee (similar to Salem's Operations Fee), each year for the next three fiscal years
- A streetlight fee in FY26
- A dispatch fee in FY26
- A parks utility fee

If Gresham is unable to increase revenues, it will need to significantly reduce city services and cut positions. Closing the gap of the City's FY24 deficit alone would be equivalent to laying off 30+ police officers and 20+ firefighters.



HILLSBORO

For the past two fiscal years, Hillsboro's expenses have grown to exceed revenues, creating operational deficits. The City forecasts that these operational deficits will continue until FY26. In FY25, this operational deficit is projected to be approximately \$5 million. The City's working capital has fallen well below its policy target.

Although there is currently no publicly available information that details the city's strategy to address its operational deficits, Hillsboro must renew two operational local option levies to maintain current funding projections. One levy must be renewed in FY26 and the other must be renewed in FY28. If voters reject these levy measures, the City of Hillsboro will face sharply higher deficits in the coming years.

BEND

The City of Bend has indicated that, in the upcoming 2023-2025 budget, revenues will have to be increased to maintain current service levels, otherwise service levels will need to be reduced. The city's general fund deficit over the next biennium is around \$11 million. A few million of the FY24 deficit can be attributed to fire services alone. Although it will not entirely close the funding gap, a local option levy for fire services, increasing the amount collected by the current levy, will be on the ballot in 2023.

The city's transportation services fund also faces a significant shortfall. On average, this shortfall is projected to be approximately \$6 million per year. To address this gap, Bend is considering adopting a transportation utility fee (similar to Salem's Operations Fee, specifically for transportation). The city is also considering an overhaul to its transportation system development charges.

SPRINGFIELD

Very little information was publicly available on Springfield's forecasted financial condition. Although the city currently has a relatively small FY23 deficit of \$566,465, the city has indicated that its provided services are below the level that is expected by its community. City of Springfield documents indicate that these funding challenges will continue to grow in severity due to the state statutes that limit municipal property tax revenue. Springfield currently relies on a public safety local option levy that must be renewed by FY28.

CORVALLIS

City of Corvallis revenues are stable but are outpaced by increases in expenses. The city currently has a \$7,101,000 operating deficit for FY23, despite recently increasing utility service fees by over \$30 per account. City of Corvallis expenses are projected to continue to outpace revenues in the coming years, though no long-term projections are publicly available.

The city's strategies to address its operating deficits are not publicly available. However, the city's \$29 million local option levy is set to expire on June 30, 2024. If voters do not renew this levy, Corvallis deficits will sharply increase.



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