

TO: Mayor and City Council  
FROM: Steve Powers, City Manager  
SUBJECT: City of Salem Budget Supplemental Report

ISSUE:

Shall City Council approve the Budget Committee's recommended budget?

RECOMMENDATION:

Approve the Budget Committee's recommended budget and direct the City Manager to prepare a budget resolution for consideration on June 24, 2019.

SUMMARY:

Prior to recommending the FY 2020 budget on May 8, 2019, the Budget Committee deliberated several possible amendments to the budget. None of the amendments received sufficient support to be incorporated in the Budget Committee's final recommendation.

FACTS AND FINDINGS:

The budget recommended by the Budget Committee did not deviate from the City Manager's Proposed FY 2020 Budget. The budget motions made at the Budget Committee meeting on May 8, 2019 indicate interest in amending the Budget Committee's recommended budget.

Add an appropriation of \$176,640 for Youth Development.

- Appropriation would reinstate the program coordinator position, supporting materials expenses, and grants to collaborating organizations.

Add an appropriation of \$108,000 for long-range community planning.

- Appropriation would be used to reinstate a vacant, long-range planner position.

Add an appropriation of \$50,000 for climate action.

- Appropriation would be used for immediate action, such as tree planting or other enhancements that positively impact the environment and climate.

If City Council chooses to change the Budget Committee's Recommended Budget, the recommended funding source is working capital.

The City Manager's Proposed FY 2020 Budget as recommended by the Budget Committee is estimated to require the use of \$4 million of working capital to balance estimated net expenses by the end of FY 2020. Without additional revenue, the FY 2021 budget will require reductions in General Fund services such as police, fire, parks, planning, library, recreation, and code enforcement. Adding expenditures to the FY 2020 budget will increase the need for reductions if there are not new revenues to support the FY 2021 budget. Adding up to \$334,640 is a comparatively small adjustment to the challenge facing the City for FY 2021.

## BACKGROUND:

The City Manager's Proposed FY 2020 Budget resulted from over three months of difficult work by the departments and two years of setting a policy foundation by City Council through priority-based budgeting, the Sustainable Services Revenue Task Force, the annual Policy Agenda, and the Council's Strategic Plan. Alternatives to use of working capital:

- Eliminate or reduce a program
- Raise revenue
- Across-the-board reductions

Unless City Council has a program or policy that it believes the City should not be doing or providing, or a revenue policy that the City should consider changing, I am hesitant to provide program or revenue alternatives that could be equally as problematic as the budget that was proposed to the Budget Committee, problematic for the community and organization.

I do not recommend across-the-board expenditure reductions. All General Fund departments took a reduction; all departments could use additional resources to meet current demands.