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Salem City Council  
 City of Salem  
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June 12, 2020

**Stormwater SCD Funds**  
**2018 – 2021 Expenditure Budgets**

Subject: Appeal of FY 2019-2020 expenditure  
 of Stormwater SDC revenue **Document # 3**

According to the most recent Salem  
 Consolidated Annual Financial Report  
 (CAFR) Stormwater System Develop  
 Charges revenue is a restricted asset.

“Restricted net position represents  
 liquid assets that have third party  
 limitations on their use. The City ...  
 uses restricted assets first, as  
 appropriate, but reserves the right  
 to defer the use thereof to a future  
 project or acquisition.”

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The 2019-20 and prior year budgets  
 identify these not-yet-allocated moneys as  
 “Unspecified” in the annual Stormwater  
 SDC expenditure budget documents. See the  
 annual expenditure budget summaries to the  
 right. The “Not Allocated” lines are the  
 deferred assets to be used for “a future project  
 or acquisition.

Project #714200 from the 2017-18 budget  
 exemplifies a project which met the small  
 conveyance 5% criteria contained in the  
 Stormwater Master Plan (SWMP). The  
 November 25, 2019 Council authorization to  
 purchase 298 Taybin Road NW did not meet  
 that SWMP criteria.

Under Oregon budget law Resource Accounts  
 and Expenditure Accounts must balance.  
 Moneys held for future projects are the  
 “Unspecified” or not-allocated resources in  
 the annual Stormwater SDC expenditure budget. These “Unspecified “funds, the equivalent of General  
 Fund contingency moneys, require Council to reallocate them to a budget expenditure line to be spent.  
 When did this happen in FY2020?

Resources	2017-2018	
	Allocation	
	\$921,330	
Administration	\$17,020	2%
Design	\$101,290	11%
Reimbursement	\$111,910	12%
Project 714200*	\$43,090	5%
Project 715200	\$110,000	12%
Not Allocated	\$538,020	58%

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Resources	2018-2019	
	Allocation	
	\$1,161,940	
Administration	\$10,310	1%
Design	\$97,370	8%
Reimbursement	\$121,910	10%
Project 715200	\$105,000	9%
Not Allocated	\$827,350	71%

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Resources	2019-2020	
	Allocation	
	\$1,582,830	
Administration	\$29,340	2%
Design	\$97,370	6%
Reimbursement	\$126,910	8%
Not Allocated	\$1,329,210	84%

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Resources	2020-2021	
	Allocation	
	\$2,051,540	
Administration	\$225,000	11%
Design	\$77,370	4%
Reimbursement	\$126,910	6%
Not Allocated	\$1,622,260	79%

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\* “Repair of roadway and culvert crossing at Clark Creek due to the January 2012 flood event.  
 Primary funding provided by the Federal Emergency Management Agency (FEMA).”

In mid-March I asked City Manager Powers several questions focused on the Salem Capital Improvement budget regarding the purchase of 298 Taybin Rd NW.

Mr. Clint Dameron responded on his behalf:

“The purchased was not identified as a project in the 2019/20 CIP budget, no other project will be delayed, and therefore no modification was approved by Council.”

This response confused me.

1. How could a \$400,000 plus Stormwater SDC expenditure be approved by the Salem City Council without first moving Not Allocated – “Unspecified” moneys to an actual Stormwater SDC funded project within the 2019-2020 budget?
2. How can Mr. Dameron claim no identified SDC project will be delayed when no 309 listed project has been identified in the FY2019-2020 budget nor has the City affirmed that the expenditure is permitted under the small conveyance improvements allocation included in the Salem Stormwater Master Plan?
3. As June 2<sup>nd</sup> draft staff report shared with me on June 5<sup>th</sup> explained: “In late 2017, staff learned that the property at 298 Taybin Road NW was proposed for development.” What was the urgency to purchase the Taybin parcel in October 2019 and how did that urgency result in staff ignoring basic budgeting processes and recommend the utilization of Stormwater SDC funds contrary to SDC expenditure policies, i.e. buying land for a potential non-stormwater infrastructure purpose?

Subsequently, the Chief Financial Officer, Robert Barron, stated:

““Stormwater – Unspecified” project is the budget that is used for costs exceeding project<sup>1</sup> estimates and for mid-year projects.”

Mr. Barron's statement is correct. In the past the City has used the “Unspecified” funds to supplement under budgeted projects. Project #714200 from FY2018 was a 5% pipes and ditches allocation example budgeted at \$43,090. The budgeted amount was inadequate so an additional “Unspecified” \$57,000 was expended. Did Council formally authorize that transfer of “Unspecified” funds to Project #714200? Mr. Barron also stated “Unspecified” funds are used for “mid-year projects.” When and what mid-year project using Stormwater small conveyance 5% allocation funds was last approved by the Salem City Council? Was that prior mid-year Stormwater SDC expenditure similar to the FY2020 Stormwater land purchase?

Mr. Barron is also correct to the extent that “Unspecified” moneys mirror contingency moneys in the General Fund, but with one major exception. General Fund Contingency dollars may be utilized anywhere in the budget upon Council approval, while Stormwater SDC moneys are limited to the restrictions detailed in the Salem Stormwater Master Plan (SWMP) and ORS Chapter 223. Council can by resolution, equal to a General Fund contingency money redistribution process, allocate the Unspecified Stormwater SDC moneys within the limitations of the SWMP. The function of the “Unspecified” budget line is not a stand-alone resource for creative staff ideas outside the Stormwater Master Plan 309 project lists or the clearly defined small project pipes and ditches allowance restrictions or even the city-wide stream/habitat improvement Stormwater SDC allocation. To claim otherwise is a direct contradiction to municipal budget law that obligates the Council, not staff, with modifying budget expenditures. That same budget oversight obligation exists in FY2020 and contrary to staff claims “Stormwater – Unspecified” project budget is not a source of money exempt from normal budgetary allocation processes. Authorizing the use Stormwater SDC funds for a purpose not

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<sup>1</sup> There are no Stormwater SDC projects in the FY 2020 budget. This reference is not applicable.

included in the Stormwater Master Plan or the adopted provisions of the Salem 2002 Stormwater SDC expenditure policies was not within the discretion of the Salem City Council.

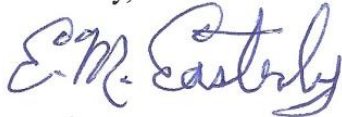
As I pointed out in my initial appeal documents the expenditure of more than \$400,000 from Stormwater SDC resources exceeds the SWMP West Bank basin project list 5% conveyance allocation. See May 20<sup>th</sup> memo page 2. The expenditure of Stormwater SDC funds for a property acquisition without actually addressing budgetary money distribution requirements is a failure to comply with Oregon municipal budget law.

The City of Salem management effort to avoid basic budget requirements is disturbing. Public documentation does not explain why staff recommended the off-budget November 2019 land purchase and then claim that “no [required ORS budget] modification was approved by Council” to be a legally justified explanation for the purchase recommendation. Whatever staff intentions were to recommend the Taybin land purchase with Stormwater SDC moneys, the process was not legally justified.

For all the above reasons I, again, ask that the Salem City Council rescind its November 25, 2019 authorization to purchase 298 Taybin Road NW with Stormwater SDC funds and remit the full amount to the restricted Stormwater SDC account.

Please understand, I am not asking the City to void the January purchase. Rather, I am asking that the City identify a more appropriate and legitimate revenue source to fund this Natural Environment Stewardship land purchase along the edge of Wallace Marine Park.

Sincerely,

A handwritten signature in blue ink that reads "E.M. Easterly". The signature is written in a cursive style with a large, stylized "E" and "M".

E.M. Easterly