



Staff Report

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Date: 7/8/2024

Item #:

TO: Mayor and City Council

FROM: Finance Committee of the Salem City Council and the Urban Renewal Agency of the City of Salem

SUBJECT:

Resolutions adopting Council Policies C-19 (Transportation Services Fund Financial Policy), C-20 (Streetlight Fund Financial Policy), C-21 (City Services Fund - Radio Communications Division Financial Policy), C-22 (Willamette Valley Communications Fund Financial Policy), C-23 (City Services Fund - Document Services Division Financial Policy) and C-24 (City Services Fund - Fleet Services Division Financial Policy); updating Council Policies C-9 (Capital Improvement Program Policy) and C-14 (Utility Fund Financial Policy).

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

Result Area(s): Good Governance; Natural Environment Stewardship; Safe, Reliable and Efficient Infrastructure.

SUMMARY:

At the March 25, 2024, City Council meeting, the Council voted to postpone consideration of Finance Committee recommended Council policies C-9 (Capital Improvement Program Policy), C-14 (Utility Fund Financial Policy), C-19 (Transportation Services Fund Financial Policy) and C-20 (Streetlight Fund Financial Policy) until after the FY 2025 Budget was adopted. Existing Council policies C-9 and C-14 have recommended updates while adoption of C-19 and C-20 would establish new Council policies.

Since that time, the Finance Committee has reviewed and forwarded to City Council four additional new policies: C-21 (City Services Fund - Radio Communications Division Financial Policy), C-22 (Willamette Valley Communications Fund Financial Policy), C-23 (City Services Fund - Document Services Division Financial Policy) and C-24 (City Services Fund - Fleet Services Division Financial Policy). These policies are also attached to this report for adoption.

ISSUE:

Shall City Council adopt Resolution Nos. 2024-10, 2024-11, 2024-12, 2024-13, 2024-34, 2024-35,

2024-36 and 2024-37 updating Council policies C-9 (Capital Improvement Program Policy) and C-14 (Utility Fund Financial Policy) and adopting new Council policies C-19 (Transportation Services Fund Financial Policy), C-20 (Streetlight Fund Financial Policy), C-21 (City Services Fund - Radio Communications Division Financial Policy), C-22 (Willamette Valley Communications Fund Financial Policy), C-23 (City Services Fund - Document Services Division Financial Policy), and C-24 (City Services Fund - Fleet Services Division Financial Policy)?

RECOMMENDATION:

Adopt Resolution Nos. 2024-10, 2024-11, 2024-12, 2024-13, 2024-34, 2024-35, 2024-36 and 2024-37 updating Council policies C-9 (Capital Improvement Program Policy) and C-14 (Utility Fund Financial Policy) and adopting new Council policies C-19 (Transportation Services Fund Financial Policy), C-20 (Streetlight Fund Financial Policy), C-21 (City Services Fund - Radio Communications Division Financial Policy), C-22 (Willamette Valley Communications Fund Financial Policy), C-23 (City Services Fund - Document Services Division Financial Policy), and C-24 (City Services Fund - Fleet Services Division Financial Policy)?

FACTS AND FINDINGS:

The Public Works, Fire, Enterprise Services, and Finance Departments have worked to update two existing and create six new Council policies. One of these policies relates to the Capital Improvement Program and seven of these policies are financial policies for City funds which are important for several reasons including:

- helping to ensure financial stability by guiding the maintenance of reserves,
- establishing clear rules for holding and using operating reserves,
- promoting fiscal discipline,
- and being a Government Finance Officers Association (GFOA) best practice.

Major updates and / or establishing guidelines for the four policies are listed below by policy.

C-9 (Capital Improvement Program Policy) Updated - Resolution No. 2024-10

The Capital Improvement Program (CIP) policy was last updated in 2008 and prior to that was outlined by a Department Head Letter from 1992. Substantial updates to this policy include increasing the dollar threshold for a CIP project from \$50,000 to \$100,000, clarifying the role of the CIP staff review committee, designating the Finance Committee as the Council liaison on CIP matters, and forwarding mid-year projects over \$100,000 to City Council for approval. The policy has also been updated to correct miscellaneous language and grammar.

During the Finance Committee meeting, Member Varney requested that as part of section III D, quarterly reports include a list of projects completed in the quarter and a budget to actual project cost comparison for each. This revision was approved by the Committee and included in the final

version of the policy attached to this staff report.

C-14 (Utility Fund Financial Policy) Updated - Resolution No. 2024-11

Initially adopted in 2014 with an update in 2016, the approval of this policy will include clarification that the rate stabilization funds are part of the operating reserve as well as miscellaneous language and grammar updates.

C-19 (Transportation Services Fund Financial Policy) New - Resolution No. 2024-12

The first of the two proposed new fund policies for the Public Works Department is for the Transportation Services Fund. Major tenants of the policy include a 45-day operating reserve of State Highway Revenue and a \$500,000 contingency to be budgeted annually. As pressure on the Transportation Services Fund continues to grow, this policy will help guide decision making into the future.

C-20 (Streetlight Fund Financial Policy) New - Resolution No. 2024-13

The second of the proposed new fund policies is for the Streetlight Fund. The policy establishes allowable uses for the fund including: the replacement of streetlight lamps and poles, installation of new streetlight lamps and poles, and electricity costs for streetlights and lights in parks. The policy also establishes that the Streetlight Fee should be adjusted annually with the change in the construction cost index. The fee has not been increased since it was established in 2015. As with the Transportation Services Fund policy, the Streetlight Fund also will have 45 days of revenue held in reserve along with an annually budgeted contingency of \$200,000.

C-21 (City Services Fund - Radio Communications Division Financial Policy) New - Resolution No. 2024-34

The first of two proposed Fire Department fund balance policies is for the Radio Communications Division of the City Services Fund that records financial activity for operational and capital needs related to radio operations for the City of Salem. The policy would establish a rate stabilization reserve comprised of a minimum operating reserve of two months of expenditures based on the recommended budget, a revenue loss reserve equal to 25 percent of all outside agency revenue based on the recommended budget, and a budgeted contingency for unanticipated expenses not to exceed \$500,000. The policy also outlines specific instances when the reserve can be used as directed by the City Manager.

The proposed policy has been changed in title since the approval by the Finance Committee. It had been called the Radio Communications Fund Policy, but has since changed to the City Services Fund Balance / Reserve Policy for the Radio Communications Division. The title change reflects a more accurate alignment with the fund name and financial structure.

C-22 (Willamette Valley Communications Center Fund Financial Policy) New - Resolution No. 2024-35

The second of the two Fire Department fund balance policies is for the Willamette Valley Communications Center (WVCC). The policy would establish an operating reserve at a minimum of 11 percent of the Personnel Services budget and establish a contingency not to exceed 10% of all budgeted expenditures within the fund. The City Manager would be able to use the operating reserve to balance the budget when revenues do not cover expenditures. The contingency can only be accessed with City Council approval when a need arises that was not understood during budget development.

C-23 (City Services Fund - Document Services Division Financial Policy) New - Resolution No. 2024-36

The first of two proposed Enterprise Services Department fund balance policies is for the Document Services Division of the City Services Fund that provides printing, binding, and mail/messenger services Citywide. Adoption of this policy would create a service stabilization reserve which would be at least 10% of the Document Services operating budget. This reserve can be used by the City Manager or designee to offset unanticipated revenue loss to balance the budget, or to maintain services levels in a proposed budget when anticipated revenues are insufficient.

The proposed policy has been changed in title since the approval by the Finance Committee. It had been called the Document Services Division of the City Services Fund but is now called City Services Fund Balance / Reserve Policy for the Document Services Division. The title change reflects a more accurate alignment with the fund name and financial structure.

C-24 (City Services Fund - Fleet Services Division Financial Policy) New - Resolution No. 2024-37

The second of two proposed Enterprise Services Department fund balance policies is for the Fleet Services Division of the City Services Fund. Adoption of this policy would create a Fleet Maintenance Service Stabilization reserve and a Fuel Rate Stabilization Reserve. Both reserves would equate to 10 percent of their operating budget and could only be used by the City Manager or designee when revenues do not cover expenditures to retain current service levels.

The proposed policy has been changed in title since the approval by the Finance Committee. It had been called the Fleet Services Division of the City Services Fund but is now called City Services Fund Balance / Reserve Policy for the Fleet Services Division. The title change reflects a more accurate alignment with the fund name and financial structure.

BACKGROUND:

The Departments began working on updating and creating their policies in the fall of 2023 and early 2024. The policies were presented and approved by the Finance Committee to forward to City Council at their meetings on February 20, 2024, March 18, 2024, and June 17, 2024.

Attachments:

1. Resolution No. 2024-10
2. Resolution No. 2024-10, Exhibit A - Revised Council Policy C-9 (Capital Improvement Program Policy)
3. Resolution No. 2024-10, Exhibit B - Redline Council Policy C-9 (Capital Improvement Program Policy)
4. Resolution No. 2024-11
5. Resolution No. 2024-11, Exhibit A - Revised Council Policy C-14 (Utility Fund Financial Policy)
6. Resolution No. 2024-11, Exhibit B - Redline Council Policy C-14 (Utility Fund Financial Policy)
7. Resolution No. 2024-12
8. Resolution No. 2024-12, Exhibit A - Council Policy C-19 (Transportation Services Fund Financial Policy)
9. Resolution No. 2024-13
10. Resolution No. 2024-13, Exhibit A - Council Policy C-20 (Streetlight Fund Financial Policy)
11. Resolution No. 2024-34
12. Resolution No. 2024-34, Exhibit A - Council Policy C-21 (City Services Fund - Radio Communications Division Financial Policy)
13. Resolution No. 2024-35
14. Resolution No. 2024-35, Exhibit A - Council Policy C-22 (Willamette Valley Communications Center Fund Financial Policy)
15. Resolution No. 2024-36
16. Resolution No. 2024-36, Exhibit A - Council Policy C-23 (City Services Fund - Document Services Division Financial Policy)
17. Resolution No. 2024-37
18. Resolution No. 2024-37, Exhibit A - Council Policy C-24 (City Services Fund - Fleet Services Division Financial Policy)