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 Councilor(s): All Councilors
 Neighborhood(s): All Neighborhoods
 Result Area(s): All Result Areas - Good Governance; Natural Environment Stewardship; Safe Community; Safe, Reliable and Efficient Infrastructure; Strong and Diverse Economy; Welcoming and Livable Community.

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Attachments: 1. Finance Committee Staff Report - Salem Maintenance Bond.pdf, 2. City of Salem - Infrastructure Bond Focus Groups - September 2021.pdf, 3. Public Comments received by 5:00 p.m. 10-25-21.pdf

Date	Ver.	Action By	Action	Result
10/25/2021	1	City Council	received and filed	

TO: Mayor and City Council

FROM: Steve Powers, City Manager

SUBJECT:

Infrastructure Bond

Ward(s): All Wards
 Councilor(s): All Councilors
 Neighborhood(s): All Neighborhoods
 Result Area(s): All Result Areas - Good Governance; Natural Environment Stewardship; Safe Community; Safe, Reliable and Efficient Infrastructure; Strong and Diverse Economy; Welcoming and Livable Community.

SUMMARY:

The Finance Committee is recommending to City Council a comprehensive bonding strategy (Attachment 1). A community engagement plan was part of the recommendation and the City contracted with DHM Research to conduct initial focus groups on the potential bond measure and priority spending areas (Attachment 2).

The City has approximately \$2 billion of infrastructure assets that need routine maintenance, improvements and expansion. Due to several previous bond issues' debt service expiring over the next several years, the City is in a unique position to seek this large bond measure **without** increasing the estimated FY 2022 bonded tax levy rate of \$1.28 per \$1,000 of property assessed value.

The City is planning a long-term, comprehensive bonding strategy for the November 2022 ballot, pending Salem City Council approval of the up to \$300 million for General Obligation bonds. Large City infrastructure investments have previously been accomplished through single bond issues whose passage depended more on the economic environment than the need for fiscally responsible maintenance of the City's infrastructure.

The most urgent need is replacement of the City's fire trucks and apparatus. Following the investment in fire protection, project categories are streets, bridges, and sidewalks; parks and recreation facilities; affordable housing and shelter; and public facilities and information technology infrastructure

On the October 25, 2021 agenda, Salem City Council will consider whether to direct staff to begin outreach and engagement on the bond, to transfer funds to support the outreach and engagement, and information about the appointment of a Steering Committee of Council to support this work.

ISSUE:

Long-term bonding strategy update.

RECOMMENDATION:

Information only.

FACTS AND FINDINGS:

The Finance Committee is recommending that the City submit to Salem voters a long-term, comprehensive bonding strategy for the November 2022 ballot. The ballot measure would be for up to \$300 million in General Obligation bonds to be issued for ten years. The strategy will include a community engagement plan on the proposal and potential projects.

The long-term bonding strategy as recommended by the Finance Committee would address four basic premises:

- Maintain a consistent levy rate for taxpayers over a set period.
- Issue debt in a timely and strategic manner.

- Decrease ongoing expenses related to deferred maintenance.
- Provide new investment for community benefit, with City Council and community oversight.

The recommendation included developing a ballot measure to authorize up to \$300 million for General Obligation (GO) bonds to be issued over the next 10 years and developing a community engagement plan on the proposal and potential projects.

Due to the timing of the annual Customer Satisfaction Survey work conducted by DHM Research, there was an opportunity to conduct initial focus groups on a potential bond measure and priority spending areas (Attachment 2).

Proposed Priority Spending Categories

Many of the amounts shown for each category are flexible and projects within the categories can be scaled to community need.

Result Area	Category	Amount (in millions)	Fixed or Scalable
Safe Community	Fire Apparatus and Equipment	\$26	Fixed
Strong and Diverse Economy; Welcoming and Livable Community	Housing and Sheltering Investments	\$15	Scalable
Safe, Reliable, and Efficient Infrastructure	Streets, Bridges, and Sidewalks	\$150	Scalable
Welcoming and Livable Community; Natural Environment Stewardship	Parks and Recreation	\$35	Scalable
Good Governance	Information Technology Investments	\$15	Fixed
Good Governance	Public Building Improvements	\$12	Fixed
Safe Community	Fire Stations	\$14	Fixed
	Total	\$300	

- **Fire apparatus and equipment** is the first priority for this potential bond funding. Last purchased following the successful November 2006 bond, Salem’s fire engines, ladder trucks, and other specialized response vehicles are in dire need of replacement. If one of these pieces of equipment requires maintenance, it is taken out of service - potentially delaying our response to a community member in need.

- **Housing and sheltering investments.** The intent with this funding would be to continue property acquisition and/or construction for additional affordable housing and emergency or temporary shelter for those in need.
- **Streets, bridges and sidewalks.** Transportation infrastructure projects tend to be larger in scope and scale of investment. Salem’s needs exceed the full scope of the proposed bond. With input from the community, the City can develop a project list to improve streets to include sidewalks and bicycle facilities, construct new streets, replace and rehabilitate bridges, advance safer pedestrian crossing projects, and replace or add traffic signals. Initial ideas may include improvements to McGilchrist Street SE, Doaks Ferry Road NW, Battle Creek Road SE, Browning Avenue S, Fisher Road NE, and Sunnyview Ave NE.

In 2008 Salem voters approved a “Keep Salem Moving” \$100 million bond to pay for more than 40 street and bridge projects to relieve congestion, improve safety, and rebuild or maintain pavement and bridges in Salem. Using savings and leveraging other fund sources, the City was able to address additional transportation needs in our community, such as neighborhood sidewalk improvements, quiet zones, signal modifications, pedestrian crossings, and buffered bike lanes.

- **Parks and recreation.** Major investments in Salem’s parks and recreation facilities are needed. Investments would include things like replacement of restroom facilities at Marion Square and Wallace Marine parks; and developing new shelters, tennis or pickleball courts, playgrounds, splash pads, dog parks and trails. Parks with master plans, derived from community engagement in priorities for park facilities, would be good candidates for initial project lists.
- **Information technology.** Security upgrades are needed to the infrastructure the City relies on to provide services in our community. The types of investments would be redundant fiber and data warehouse, with replacement of aging enterprise technology for which there are no other funding sources.
- **Public building improvements.** Much like the recently rehabilitated Salem Public Library, the City’s Civic Center needs rehabilitation and repair to address seismic, safety, accessibility and system improvements. Windows require replacement. The skylight in the courtyard requires removal or replacement. The parking garage is no longer structurally sound. The Civic Center lacks back-up power generation. This category may also include a portion of a new Willamette Valley Communications Center, a City service providing 9-1-1 dispatch to 29 police and fire agencies.
- **Future fire stations.** Planning now for future service needs in growing areas of our community, the City would look to acquire property for two new fire stations within next ten years.

Feedback To-Date

Two focus groups of likely Salem voters were conducted on September 1st and September 2nd.

These groups were composed of 8 to 10 people with a moderator. Discussion lasted at least two hours. Preliminarily, there is general support for the concept of a bond measure and evidence that additional outreach and education to the community will be needed to make a bond measure successful. John Horvick of DHM will be available at the October 25, 2021 Work Session to discuss the full results of the focus groups.

Next Steps

Salem City Council will consider three items on the October 25, 2021 agenda:

1. A request for action to proceed with a plan to refer an infrastructure bond to Salem voters in November 2022, directing staff to begin outreach and engagement, to include polling.
2. A resolution to transfer contingency funds for an outreach and community engagement strategy, including developing project lists in the scalable areas of potential bond funding to best meet community-defined need.
3. A request for action to appoint a Steering Committee of City Council to support the outreach and engagement strategy and make recommendations to the City Council regarding the bond measure scope.

Major milestones include:

- Community engagement on priorities for inclusion in bond measure, followed by polling
- February 22, 2022:
 - City Council Work Session on community feedback for bond priorities, and
 - City Council direct staff to prepare for November 2022 ballot measure for City Council's consideration.
- Community engagement and information sharing about measure
- July 2022: Final ballot title
- August 2022: Present to Council for action
- September 2022: File with the County in September for November 2022 election, if approved by City Council
- City role shifts to information sharing
- November 2022 election
- If successful, debt service timing managed through Capital Improvement Program
- Support accountability and reporting out to community on progress.

BACKGROUND:

Why Do We Bond? Like other local governments, the City issues bonds to pay for expensive infrastructure. General obligation bonds must be approved by voters and are paid back with property taxes. Some of the City's existing bonds will be completely paid back in the next several years. This is almost like a homeowner taking out loan to make improvements to their home.

What's all this about a levy rate? A levy rate is the amount of money that local governments

(cities, counties, special districts) have been approved to assess on the value of a property. Due to the limitations of Measures 5 and 50, taxing jurisdictions have used bonding to fund large capital projects and local option levies to fund general operations. When a taxing jurisdiction bonds for capital expenses, they go to the voters for permission to assess an additional levy - separate from the permanent rate which is not limited by Measures 5.

As a result of Measure 5 in 1995, taxing jurisdictions - like the City or Salem Area Mass Transit District (Cherriots) - were assigned levy rates to fund their operations. These rates are called the permanent rates. Eugene, comparable in population to Salem, has a permanent rate of \$7.0100 compared to Salem's \$5.8315. These levy rates are then applied by the County assessor when they issue your property tax bill. For example, the City of Salem's permanent rate is \$5.83 / \$1000. This means that for every \$1000 of assessed value of a property, the City can levy up to \$5.83., A \$200,000 home would be assessed a total of \$1,166 for City operations on the owner's tax bill. In 1997, taxing jurisdictions were further limited in their property tax growth with the passage of Measure 50, which determined a property's assessed value could not grow more than 3% annually. (This is why the assessed value of your property is often less than the market value of your property or the value you could expect to receive from the sale your property.).

Courtney Knox Busch
Strategic Initiatives Manager

Attachments:

1. Finance Committee recommendation regarding a comprehensive bonding strategy.
2. City of Salem - Infrastructure Bond Focus Groups -September 2021